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2d Session

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SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

H.R. 4761
TWO-YEAR EXTENSION OF RESIDUAL TARIFF NEGOTIATING AUTHORITY

JANUARY 19, 1982

U.S. GOVERNMENT PRINTING OFFICE

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WASHINGTON: 1982

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FOR THE PRESS
FOR IMMEDIATE RELEASE
THURSDAY, NOVEMBER 12, 1981

SUBCOMMITTEE ON TRADE #14
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
(202) 225-3627

THE HONORABLE SAM M. GIBBONS, (D-FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ISSUES INVITATION FOR WRITTEN COMMENTS ON H.R. 4761, TWO-YEAR EXTENSION OF RESIDUAL TARIFF NEGOTIATING AUTHORITY

The Honorable Sam M. Gibbons, (D-Fla.), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is inviting written comments on the bill, H.R. 4761, introduced by Mr. Gibbons and Mr. Frenzel on October 15, to extend for an additional two years the residual tariff negotiating authority under section 124 of the Trade Act of 1974.

The Administration has requested two-year extension of this authority, which expires on January 3, 1982. Section 124 authorizes the President to enter into trade agreements with foreign countries and to proclaim reductions or increases in duties or continuation of existing duties or duty-free treatment if he determines existing foreign or U.S. duties or other import restrictions unduly burden and restrict U.S. foreign trade.

Agreements entered into in any one-year period cannot provide for duty reductions or continuation of existing duty-free treatment covering more than 2 percent of the value of U.S. imports during the most recent 12-month period. Duty reductions on any item cannot exceed 20 percent and duties cannot be reduced or increased to a rate lower or higher than the rate authorized under section 101 of the Trade Act.

Written comments (3 copies) should be submitted to Mr. John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515, no later than close of business, Wednesday, November 25.

BEST COPY AVAILABLE

97TH CONGRESS
1ST SESSION

H. R. 4761

To extend for two additional years the residual authority to negotiate duties under the Trade Act of 1974.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 15, 1981

Mr. GIBBONS (for himself and Mr. FRENZEL) introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To extend for two additional years the residual authority to negotiate duties under the Trade Act of 1974.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 124 of the Trade Act of 1974 (19 U.S.C. 2134) is amended—

(1) by striking out "2-year period" in subsection (d) and inserting in lieu thereof "4-year period"; and

(2) by striking out "TWO-YEAR" in the section heading.

SEC. 2. The table of contents of the Trade Act of 1974 is amended by striking out "Two-year residual" in the item relating to section 124 and inserting in lieu thereof "Residual".

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

October 27, 1981

The Honorable Sam Gibbons
U.S. House of Representatives
Washington, D.C. 20515

Dear Sam:

With regard to the renewal of Section 124 tariff reduction negotiating authority, I thought you would be interested in the views of our private sector advisors.

Enclosed are copies of all letters we have received to date on this issue. You will note that the mail is running strongly in favor of supporting the extension of Section 124 which expires in January 1982.

Please call me if I can be of any further assistance to you. Your efforts on this important trade matter are greatly appreciated.

Very truly yours,

WILLIAM E. BROCK

Enclosure

WEB:mbmr

American Farm Bureau Federation

WASHINGTON OFFICE
425 13TH STREET, N.W.
WASHINGTON, D.C. 20004
AREA CODE 202 - 637 - 0500
CABLE ADDRESS: AMFARMBUR

October 8, 1981

TO Newkirk
Saunders
Nelson

PB
(FACTN mem

Phyllis Bonanno, Director
Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Ms. Bonanno:

This is in response to your memorandum to private sector advisors of September 28, 1981, concerning the President's limited residual authority to negotiate duties during the two years following the expiration of the tariff authority. As noted in the paper enclosed with your memorandum, the President's residual tariff negotiating authority, as provided for in Section 124 of the Trade Act of 1974, expires on January 3, 1982.

As you know, Farm Bureau is a strong advocate of freer trade. Such a large portion of U.S. farm income is directly related to world trade, that we have been and remain strong supporters of efforts to improve trading relations, gain access to markets and, in general, increase trade between the United States and our trading partners.

In view of the unresolved trade problems carried over from the Tokyo Round and those that have emerged since then, it seems prudent to me that the Administration seek extension of the President's limited negotiating authority.

I understand that if this extension of existing authority is granted by the Congress, the Administration will continue close consultations with the private sector as the negotiating authority is exercised.

I appreciate having had the opportunity to comment on this matter.

Sincerely,

Robt. B Delano

Robert B. Delano, President
American Farm Bureau Federation

MARITIME TRADES DEPARTMENT

AMERICAN FEDERATION OF LABOR and CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 SIXTEENTH STREET, N.W., SUITE 510
WASHINGTON, D.C. 20006 (202) 628-6300

FRANK DROZAK, PRESIDENT STEPHEN J. LESLIE, VICE-PRESIDENT JEAN INGRAO, EXECUTIVE SECRETARY-TREASURER

AFFILIATES:
Aluminum, Brick and Clay Workers International Union
American Guild of Variety Artists
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
United Brotherhood of Carpenters and Joiners of America
United Cement, Lime, Gypsum and Allied Workers International Union
International Chemical Workers Union
Communications Workers of America
Distillery, Wine and Allied Workers International Union, AFL-CIO/CLC
International Brotherhood of Electrical Workers
International Union of Elevator Constructors
International Union of Operating Engineers
International Association of Fire Fighters
International Brotherhood of Firemen and Oilers
United Food and Commercial Workers International Union
Glass Bottle Blowers' Association of the United States and Canada
American Federation of Grain Millers
Graphic Arts International Union
Hotel Employees and Restaurant Employees International Union
International Association of Bridge, Structural and Ornamental Iron Workers
Laborers' International Union of North America
AFL-CIO Laundry and Dry Cleaning International Union
International Leather Goods, Plastics and Novelty Workers Union
International Longshoremen's Association, AFL-CIO
International Association of Machinists and Aerospace Workers
Industrial Union of Marine and Shipbuilding Workers of America
National Marine Engineers' Beneficial Association
International Union of Allied, Novelty and Production Workers, AFL-CIO
Office and Professional Employees International Union
Oil, Chemical and Atomic Workers International Union
International Brotherhood of Painters and Allied Trades
United Paperworkers International Union
Operative Plasterers' and Cement Masons' International Association of the United States and Canada
United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada
International Brotherhood of Pottery and Allied Workers
Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employes
Retail, Wholesale and Department Store Union
United Rubber, Cork, Linoleum and Plastic Workers of America
Seafarers International Union of North America
Sheet Metal Workers International Association
American Federation of State, County and Municipal Employees
United Telegraph Workers
United Textile Workers of America
Amalgamated Transit Union

October 12, 1981

Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Winder Building, Room 123
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Ms. Bonanno:

Thank you for your recent memo, dated September 28, 1981, regarding the extension of Section 124 authority. I have had a chance to review the attached material and I would like to make you aware of the Maritime Trades Department's position on extension.

For several decades, the affiliates of the Department have been victimized by excessive and insensitive unilateral and multilateral reductions in U.S. tariffs, without the compensation of freer access to foreign markets. The Generalized System of Preferences, for example, has caused the loss of thousands of American jobs, many of them among the Department's affiliates. The cost to the economy of further tariff reductions, in terms of jobs, balance of payments deficits, unemployment and adjustment assistance transfer payments, industrial capacity utilization and preservation of our industrial base, outweighs the rather minimal gains to be had by bilateral trade agreements.

Currently, the growth of the world economy is slowing. Additional U.S. tariff cuts would only encourage the selling of the world's overcapacity in the American market. The notion of the United States as the "world's dumping ground" must be ended. We can no longer afford to be the stimulus to other nations' growth. Such a policy only further erodes America's ability to compete.

Also, the emphasis on tariff cuts as a means to attain freer trade and economic growth is misleading. The true problems facing our exports today stem from the increasing use of non-tariff barriers (NTBs). The United States should gear its efforts toward enforcing domestic law and international agreements concerning NTBs, thus fostering a more competitive and open trading environment. Presently, the combination of relatively lower U.S. tariffs and variety of foreign protective mechanisms, ensures that the U.S. is forever at a disadvantage in world commerce.

Therefore, we oppose any further use of Section 124 authority and its extension for two years. Instead, we urge that the U.S. concentrate its efforts on dismantling foreign non-tariff barriers and other impediments to U.S. exports.

Sincerely,

Frank Drozak
President

MEMORANDUM

TO: Phyllis O. Bonanno

FROM: Frank Drozak

DATE: October 9, 1981

RE: ACTN Draft Statement on Export Policy

I appreciate the opportunity to comment upon the proposed ACTN Statement on export policy. Below are summarized the MTD's positions on two of the issues included in your memorandum to me. I intend to transmit a separate communication regarding the extension of Section 124 authority.

Export Trading Companies (ETCs)

The MTD has some serious reservations about the creation of ETCs as they are currently set up in legislation. We are particularly concerned by the vagueness of the language dealing with services. Would these companies be committed to employing American transportation for the carriage of export goods? We believe that export promotion, as entailed in ETC legislation, may very well be a benefit to certain larger industries which are already internationally competitive. We have no guarantee, however, that promotion will include certain exports which are victims of trade barriers, such as maritime transportation.

We are also concerned with the possible importation of goods by these companies and the economic impact this activity may have on U.S. production and employment.

All in all, we are not convinced that banks with controlling interests in ETCs will have the interests of the American worker uppermost in their minds. The historical separation of banking from commerce, we feel, was well-intended and useful. We would prefer to see another arrangement for ETCs and more direct export programs in which the national interest is given top priority.

Taxation of Americans broad

The MTD believes that the extremely high level of tax exclusion on incomes earned abroad is a great revenue loss to this country. This provision benefits, realistically, only higher income groups and creates a de-facto subsidy for multinational corporations' overseas operations. Furthermore, we doubt the accuracy of claims of lost exports due to declining American presence abroad. Additionally, we are wary of structuring a tax policy to encourage Americans to work in foreign countries.

Lane Kirkland

AMERICAN INTERNATIONAL GROUP, INC.
70 PINE STREET
NEW YORK, N.Y. 10270

OFFICE OF
MAURICE R. GREENBERG
PRESIDENT

October 5, 1981

Miss Phyllis Bonanno
Director
Office of Private Sector Liaison
Office of the U.S. Trade Representative
Washington, D. C. 20506

Dear Miss Bonanno:

This is in response to your request for comments on the extension of Section 124 which would provide the President with tariff negotiating authority as embodied in the Trade Act of 1974.

Clearly, the expiration of such authorization would be to the detriment of the United States, and I would urge that the administration move promptly to seek an extension from the Congress. It is difficult to negotiate when your trading partner realizes you have no "clout" and it would be unfortunate indeed if 124 is not extended.

Very truly yours,

M. R. Greenberg

MRG:af

AMERICAN RESTAURANT CHINA COUNCIL, INC.
328 N. PITT STREET
ALEXANDRIA, VA. 22314
PHONE (703) 548 2588

MEMBERS:

October 20, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123
Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Gentlemen:

In response to your memo on the Extension of Section 124 Authority, I have serious doubts as to the wisdom of that move.

As a member of ISAC-4 I am fully aware that foreign trade is a two-way street. However, in developing exports for U.S. industries, it should not be necessary to sacrifice American industries impacted by imports.

Section 124 Authority has been like a sword hanging over our heads. We never know when some importer may succeed in getting our product on a 124 list.....Lord knows they have tried hard enough.

It seems to us, primarily because the threat to our industry comes from developing nations, that GSP treatment is enough of an open door and that the death of Section 124 Authority would not hinder developing nations in getting preferential treatment.

Hoping I have made my point clear, I am

Sincerely,

Irving J. Mills
Executive Director

IJM/jm
CC: Stephen F. Lichtenstein

BEST COPY AVAILABLE

AMERICAN RETAIL FEDERATION
1616 H STREET, N.W. WASHINGTON, D.C. 20006 (202) 783-7971

LOYD HACKLER
PRESIDENT

October 9, 1981

Ms. Phyllis Bonanno
Director, Office of Private
Sector Liaison
Office of the U.S. Trade Representative
Room 123
Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Subject: Extension of Section 124 Authority

Dear Phyllis:

As a member of the Presidential Advisory Committee on Trade Negotiations, I would like to support the extension of Section 124 tariff authority. It is essential to maintain continuous negotiations in international trade. The multilateral process should be an ongoing process and not confined to one or two concentrated negotiating periods each decade. The Section 124 authority allows the President latitude in this area.

From the point of view of retailing the Section 124 authority has never been fully utilized in the area of consumer goods. There are many imported consumer products which still have relatively high tariffs even where there is virtually no production of some of those goods in the U.S. Those tariffs serve only as a revenue source. Section 124 should be expanded to allow the President to reduce those tariffs either unilaterally or as the result of negotiations with other countries.

Sincerely,

Loyd Hackler

LH:WKD:pah

ANDERSON, HIDEY, NAUHEIM & BLAIR
1606 NEW HAMPSHIRE AVENUE, N. W.
WASHINGTON, D. C. 20009

(202) 797-3690

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
ATTORNEY'S DIRECT DIAL NUMBER

TELEX: 248939
AHNB UR

October 6, 1981

Ms. Phyllis Bonanno
Director
Office of Private Sector Liaison
Office of the U. S. Trade Representative
Washington, D. C. 20506

Dear Ms. Bonanno:

In a memorandum dated September 28, 1981, you solicited the views of Private Sector Advisors on the extension of Section 124 Authority. I totally concur with the assessment that it is important for the President to retain such authority. In light of the need for Congressional action to extend such authority in this Session of Congress, I would urge that such action be commenced as quickly as possible. If I can assist in this undertaking, I would be pleased to do so.

With best wishes.

Sincerely,

Stanton D. Anderson

SDA/abb

Bethlehem Steel Corporation

BETHLEHEM, PA 18016

RICHARD F. SCHUBERT
VICE CHAIRMAN

October 27, 1981

Dear Ms. Bonanno:

Re: Extension of Section 124 Authority

This is to affirm that I fully agree with USTR's position that it is important that the President retain the residual tariff negotiating authority embodied in Section 124 of the Trade Act of 1974.

As a representative of an industry beseiged by injurious import competition, it is our belief that the current limitations and procedural requirements of the Secion 124 authority, as well as the understanding of the Administration of our situation, do provide sufficient safeguards.

We support extension of Section 124 authority.

Sincerely,

Richard F. Schubert
Industry Sector Advisor

Ms. Phyllis Bonanno
Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, DC 20506

JAMES H. BINGER
SUITE 4648 IDS CENTER
80 SO. 8TH STREET
MINNEAPOLIS, MINNESOTA 55402
612/341-3500

October 12, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street N.W.
Washington, D. C. 20506

Gentlemen:

I am responding to your letter dated September 28, 1981, from Phyllis Bonanno with respect to extension of Section 124 authority. I believe it is desirable that this authority be extended for the proposed two year period beginning January 1982. The points made in the memoranda enclosed with her letter seemed to me persuasive.

Sincerely,

JHBinger/pr

BRIGHT STAR INDUSTRIES
Subsidiary of Kidde, Inc.
KIDDE

600 Getty Avenue
Clifton, New Jersey 07015
(201) 772-3200
(212) 563-5792

Charles F. Bishop
President

October 19, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, DC 20506

Gentlemen:

We note that the President's authority to negotiate tariffs soon expires under Section 124 of the Trade Act of 1974.

In our view it is desirable that measures be taken to extend his authority in these matters. He should be in a position to take action as opportunities present themselves.

Sincerely,

C F Bishop

es

BEST COPY AVAILABLE

CARUS CORPORATION

EDWARD H. BOLL
Vice President

22 October 1981

Office of Private Sector Liaison
Office of the U. S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N. W.
Washington, D. C. 20506

Dear Sirs:

This is in response to your memorandum of 15 October 1981.

From the standpoint of Carus Corporation, we have no objection to extending Section No. 124 of the Trade Act of 1974.

Sincerely,

E. H. Boll
Vice President

EHB/fp

CATERPILLAR TRACTOR CO.

Chairman and Chief Executive Officer

Peoria, Illinois 61629

October 8, 1981

Ms. Phyllis O. Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Executive Office of the President
Washington, D.C. 20506

Dear Phyllis:

As requested, we have reviewed the three advisory opinions enclosed with your September 29 memorandum.

The opinions parallel Caterpillar's thinking and experience with these issues, and we therefore support them. I believe the Congress will find these viewpoints useful as they continue debate on export policy matters.

Sincerely,

Lee L. Morgan
sm

LAW OFFICES
MITCHELL J. COOPER
1001 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
—
331-1858

October 20, 1981

Ms. Phyllis Bonnano, Director
Office of Private Sector Liaison
Office of the U.S. Trade Representative
600 17th Street N.W.
Washington, D. C. 20506

Dear Phyllis:

This is in reply to your memorandum to Industry Sector Advisors dated October 15, 1981, regarding extension of Section 124 authority.

While the limitations on duty reductions under current law do not prevent the use of the President's residual tariff cutting authority on items which were exempted from cuts in the Tokyo Round, there has been a policy (an understanding? a commitment?) that such items would not be subject to cuts under 124. It would be very useful if the Trade Representative would reassure industries whose products were found to be so import-sensitive as to warrant exceptions from Tokyo Round cuts that they will continue to be exempt from Section 124 cuts. Whether or not the rubber footwear industry, for example, will take a position on the extension will depend largely on whether it can be certain that its exempted products will not now be subject to tariff cuts.

I would welcome a reassuring word from your office before this matter goes to Congress.

Sincerely,

Mitch

Mitchell J. Cooper

mjc/j

DEERE & COMPANY

JOHN DEERE ROAD, MOLINE, ILLINOIS 61265 U.S.A.

H W BECHEREF
Vice President

23 October 1981

Office of Private Sector Liaison
Office of the U. S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street N. W.
Washington, D. C. 20506

Gentlemen:

In response to the 15 October memorandum to Industry Sector Advisors, I wish to endorse the Administration's proposal to extend the President's residual tariff negotiating authority as embodied in Section 124 of the Trade Act of 1974.

We believe it is important that the President retain authority to take advantage of negotiating opportunities as they may develop. We also concur that the current limitations and procedural requirements of Section 124 authority provide sufficient safeguard advantages for industry.

Sincerely,

H. W. Becherer

do

THE DOW CHEMICAL COMPANY
MIDLAND, MICHIGAN 48640

October 21, 1981

MEMORANDUM TO: OFFICE OF PRIVATE SECTOR LIAISON
OFFICE OF U.S. TRADE REPRESENTATIVE

FROM: F. M. HUNT, Industry Sector Advisory Committee No. 3

SUBJECT: EXTENSION OF SECTION 124 AUTHORITY

In order to afford the U.S. Government the most favorable position in its ongoing tariff negotiations, I support the two year extension of Section 124 of the Trade Act of 1974. However, it should be noted that tariffs play a major role in sectors of the chemical industry and any attempt to "trade off" chemical tariffs in exchange for concessions in other industries should be avoided. Changes in the global chemical industry since the conclusion of the MTN will make sectors of the chemical industry very vulnerable as the agreed tariff reductions are phased in.

In addition, I strongly support the indepth analysis of ongoing needs to be undertaken with close consultation with the private sector.

DUPONT
ESTABLISHED 1802
E. I. DU PONT DE NEMOURS & COMPANY
INCORPORATED
WILMINGTON, DELAWARE 19898

EXECUTIVE OFFICES

October 19, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, DC 20506

Extension of Section 124 Authority

Gentlemen:

Your memorandum of September 28 seeks private sector comments on a proposed two-year extension of the President's residual tariff negotiating authority under Section 124 of the Trade Act of 1974. We have given this proposal serious consideration and while we do not oppose extension of Section 124 authority, neither can we express our unqualified support. Although Congress in enacting Section 124 appears to have intended it simply as authority for tying up loose ends growing out of the multilateral trade negotiations, it provides a satisfactory vehicle, if properly employed, for resolving specific trade issues that occur from time to time.

We are apprehensive about the proposed use of Section 124 authority based on the record to date and we have several suggestions for its application in the future.

The recent negotiations with Japan on semiconductors are an excellent example of the successful and constructive exercise of Section 124 authority. The negotiations were specific to the industry sector involved, they appear to have had the full participation and support of the U.S. industry throughout and the benefits to both nations are recognized by all parties concerned. We would hope that these principles which were observed in the semiconductor negotiations will serve as guides for the future.

We recognize the procedural safeguards contained in Sections 131-134 of the Trade Act which are designed to evoke a full public review of items considered for the exercise of Section 124 authority. We do not believe the statutory purpose was well served by the Federal Register notice of August 8, 1980 which identified over 1500 tariff schedule items as candidates for tariff cutting and solicited public and agency comments on the entire list. It is inconceivable that considered comments could be obtained at one time on a list of such magnitude.

Furthermore, it seems clear that the validity of any such views decreases rapidly with the passage of time. In our view, the solicitation of views on candidates for the exercise of Section 124 authority should be made only when specific negotiating objectives have been sufficiently defined. Seeking views on a limited list of items of actual concern appears more likely to yield useful and comprehensive comments.

Similarly, we believe limited agreements, completely within a specific industry sector, are the most appropriate exercise of Section 124 authority. Any negotiation which results in one sector being asked to make concessions to enhance trade opportunities for another sector would call for greater scrutiny than that envisioned under Section 124.

Finally, we believe that there are a number of reasons, including the current economic climate, why Section 124 authority should be used judiciously and not as a tool for broad-based tariff reductions. Many industries are experiencing the need to adjust to new import competition as the Tokyo Round reductions are being implemented. Imposing new tariff cuts, particularly on import-sensitive products, is unlikely to be in the national interest. Further, some industries will experience new adjustment problems as a result of the anticipated adoption of harmonized customs codes.

Section 124 is a valuable authority for conducting limited trade negotiations but it should be employed with considerable care.

We appreciate this opportunity to express our views.

Sincerely,

R. E. Heckert
Vice Chairman

REH:blb

GENERAL MOTORS OVERSEAS CORPORATION
767 FIFTH AVENUE
NEW YORK, N. Y. 10153

THOMAS R. ATKINSON
VICE PRESIDENT

TELEPHONE
(212) 486-2478
TELEX 230162

October 21, 1981

Ms. Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123
Winder Building
600 Seventeenth Street, N.W.
Washington, D. C. 20506

Dear Phyllis:

This is in response to your letter of October 15 asking ISAC members their opinion on extension of tariff negotiating authority.

At the present time, the U.S. automotive industry is not in position to capitalize on tariff reductions by countries that might be potential export markets, and we conceivably could lose market share in the U.S. in pickups and heavy duty trucks where the tariff is 25 percent and which might be the target of foreign country requests. Accordingly, it would seem, at first glance, to be in the industry's best interest to have tariff negotiating authority minimized.

In the present case, however, our industry's specific interest should not be overriding. The general wave of protectionism poses a greater threat to GM's total interest than any trade developments that might impact the automotive industry in isolation. Because more or less continuous negotiations in numerous areas appears to offer a safety net against irrational moves, our preference should be for obtaining the extension of negotiating authority.

I hope this will provide some guidance for your decision on this subject.

Sincerely,

cc: Louis Murphy

International Telephone and Telegraph Corporation
Telecommunications and Electronics Group-North America

James L. Green
Assistant Group Executive
Commercial Development-TEG-NA

500 Washington Avenue
Nutley, New Jersey 07110
Telephone 201-284-3527

October 20, 1981

MEMORANDUM TO: Office of Private Sector Liaison
Office of the U. S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N. W.
Washington, D. C. 20506

FROM: James L. Green
Assistant Group Executive-TEGNA

SUBJECT: Extension of Section 124 Authority

We recommend the extension of Section 124 Authority. There is a continuing need for unilateral and multilateral negotiations to redress problems and to take advantage of opportunities. We believe the President should be granted this authority.

League of Women Voters of the United States 1730 M Street, NW, Washington, DC 20036 Tel. (202) 296-1770

memorandum

13 October 1981

TO: Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative

FROM: Ruth J. Hinerfeld RH
President, League of Women Voters of the United States

RE: Extension of Section 124 Authority

The League of Women Voters of the United States recommends that the tariff negotiating authority contained in Section 124 of the Trade Act of 1974 be extended beyond its January 1982 expiration date.

League members are convinced that the political and economic interests of this country and of its citizens, collectively and individually, are best served by a national policy that encourages a systematic reduction of tariff and nontariff barriers. Such changes in tariff policy can lessen some of the most troublesome impediments to trade, thereby improving market access for U.S. exports, as well as expanding consumer choice and curbing inflation in this country.

League members believe that in order to accomplish these goals it is necessary that the Congress continue to grant the President broad, long-range authority to negotiate trade agreements. Such authority has afforded the United States a flexible, effective and efficient leadership position in past trade negotiations, and it must be continued in order to make further progress possible. Therefore, we support the extension of Section 124.

Law Offices
Sharretts, Paley, Carter & Blauvelt, P.C.
Eighty Broad Street
New York, N.Y. 10004
Phone (212) 425-0055
Cable "Custombo" N.Y.
Telex 423508
Telex 12-9223

1101 Connecticut Avenue
Washington, D.C. 20036
Phone (202) 223-4833
Cable "Custombo" Washington
Telex 64598

October 19, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123
Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Re: Extension of Section 124 Authority

Gentlemen:

This letter will serve as my enthusiastic endorsement of the Administration's attempt to extend the residual authority provided for in Section 124 in the Trade Act of 1974.

The extension, if granted, will unquestionably enhance the country's negotiating position. Furthermore, if appropriately exercised, the Authority can create new international trade opportunities for domestic manufacturers of consumer goods.

Sincerely,

M. Barry Levy

M. Barry Levy
ISAC 4

MBL/ab

cc: Toy Manufacturers of America

Marriott corporation

INTERNATIONAL HEADQUARTERS
Marriott Drive
Washington, D.C. 20058

J. Willard Marriott, Jr.
President

October 6, 1981

Ms. Phyllis Bonanno
Director, Office of Private
Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Re: Extension of Section 124
of the Trade Act of 1974

Dear Ms. Bonanno:

Reference is made to your September 28, 1981 memorandum regarding extension of Section 124 of the Trade Act of 1974. I agree with your position that it is important for the President to continue to have such authority so he can take advantage of negotiating opportunities as they arise and pursue improved market access for U.S. goods abroad.

I am not familiar enough with the current limitations and procedural safeguards to determine whether they are adequate to prevent injurious foreign competition.

Very truly yours,

J. Willard Marriott, Jr.

88-787 O - 82 - 3

MOORE McCORMACK RESOURCES

Moore McCormack Resources, Inc.
One Landmark Square
Stamford CT 06901
203 358 2211

October 5, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, NW
Washington, DC 20506

Gentlemen:

We would like to voice our support for extension of the President's limited authority to negotiate tariffs as embodied in Section 124 of the Trade Act of 1974. Such authority expires on January 3, 1982. If Section 124 authority is not extended, we believe the President and his key trade advisors will lose a critical degree of flexibility in adapting our nation's trade policy to meet rapidly changing circumstances in our international commerce.

Moore McCormack Resources is a diversified natural resources and transportation company with a cargo liner subsidiary serving trades between the East Coast of the United States and African and South American ports. To a great extent, the success of our maritime operations depends upon stability and steady growth in our nation's international trade. In our view, the President and his trade advisors must have the tools to deal on an ad hoc basis with instances of foreign discrimination and unfairness as they arise, before the problem escalates into a major international confrontation.

The flexibility afforded the President by Section 124 allows him to deal effectively with these limited problems in a manner consistent with the overall trade policy of the United States. Consequently, we support the extension of Section 124 and offer our help in securing the necessary approval by Congress.

Sincerely,

Jas R. Barker

JB/pm

Robert W. Galvin
Chairman of the Board

October 21, 1981

Miss Phyllis Bonanno
Director
Office of Private Sector Liaison
Office of the U. S. Trade Representative
Executive Office of the President
Washington, D. C. 20506

Dear Miss Bonanno:

I concur that the extension of tariff negotiating authority should be sought and approved.

Best wishes,

Robert W. Galvin

RWG:MB

National Farmers Union

Office of the President

October 13, 1981

Ms. Phyllis Bonanno
Director
Office of Private Sector Liaison
Office of the U. S. Trade Representative
Washington, D. C. 20506

Dear Ms. Bonanno:

Thank you for the invitation to comment on the possibility that the Administration may seek a two-year extension of the President's residual tariff negotiating authority as embodied in Section 124 of the Trade Act of 1974.

The National Farmers Union would support such an extension as outlined in your supporting paper. It would appear to be a reasonable and necessary request.

Sincerely,

George W. Stone

12025 East 45th Avenue • Denver, Colorado 80251 • Phone (303) 371-1760
600 Continental Bldg. • 1012 - 14th Street, N. W. • Washington, D. C. 20005 • Phone (202) 628-9774

NCR
NCR Corporation
Dayton, Ohio 45479
World Headquarters

October 23, 1981

Ms. Phyllis Bonanno, Director
Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Ms. Bonanno:

This is to advise you that I strongly support a two-year extension of the President's residual tariff negotiating authority as embodied in Section 124 of the Trade Act of 1974. Such an extension is very important not only to the successful conclusion of negotiations currently underway, but also to enable the initiation and completion of other important negotiations which will improve U.S. trade. I think the results so far of this negotiating authority clearly indicate its effectiveness and potential future value.

Yours truly,

A. Ray Daniels
Director, Industry Standards and Relations
Member, ISAC 5

ARD:ah

SUBSIDIARY:
NATIONAL INDUSTRIES INC.

NATIONAL MANAGEMENT, INC.

October 23, 1981

Ms. Phyllis Bonanno
Office of Private Sector Liaison,
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, DC 20506

Dear Ms. Bonanno:

I feel it is in keeping with the constitutional duties of the President to allow him as much freedom as possible in conducting the foreign affairs of the United States. Therefore, I endorse the granting of an extension of the President's residual tariff negotiating authority under Section 124 of the 1974 Trade Act.

I must add, however, my feelings that U.S. tariffs on labor-intensive manufactured products are already too low, and should not be reduced further. My concern is not with competition offered by foreign manufacturers, but with the unfairness of much of that competition. It seems that the U.S., because of the disparity of tariff rates between us and our trading "partners", is suffering from a situation by which we can freely import manufactured products, but we cannot as freely export them.

While this letter is to be taken as an endorsement of the President's Section 124 authority, I would ask that my concerns about the use of such authority also be noted.

Very truly yours,

NATIONAL INDUSTRIES, INC.

June M. Collier
President

JMC/lp

P. O. Box 3528/2745 Gunter Park Drive West/Montgomery, Alabama 36109/(205) 277-1551

2000 N.E. 146 Street, North Miami, Florida 33181

Telephone: (305) 940-8000
Cable: PANFABINT Telex: 51-2494

Nowlin Saunders (ACTN member,

October 12, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Attn: Ms. Karen Alleman

Re: Extension of Section 124 Authority

Gentlemen:

I most strongly believe that it is essential that the Section 124 Tariff Authority be extended. The President must be given the opportunity to aggressively pursue negotiating opportunities to seek improved international market access (for goods and services) for U.S. firms.

Sincerely,

Milton N. Fisher
Member ACTN

MNF:brb

PFIZER INC., 235 EAST 42nd STREET, NEW YORK, N. Y. 10017

EDMUND T. PRATT, JR.
Chairman of the Board

October 9, 1981

Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, NW
Washington, D.C. 20506

Dear Ms. Bonanno: Phyllis,

In response to your request for comments on extension of Section 124 of the Trade Act of 1974 for two years, I fully support your efforts. Extension of the President's residual tariff negotiating authority would give USTR the necessary flexibility to complete tariff negotiations currently underway, as well as to initiate other negotiations which might result in further tariff reductions. The proposed review of Administration and private sector needs for tariff authority beyond the two year extension seems imperative for continued improvement of foreign access for U.S. goods.

As Chairman of ACTN and because of my personal interest in foreign trade and investment issues, I would greatly appreciate being kept apprised of Administration efforts to seek the extension of Section 124.

Thank you for your assistance.

Sincerely,

Edmund T. Pratt, Jr.

THE UNIVERSITY OF TEXAS AT AUSTIN
LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS
AUSTIN, TEXAS 78712

Office of the Dean
471-4962

October 16, 1981

MEMORANDUM

TO: Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth St.
Washington, DC 20506

FROM: Elspeth Rostow EDR

Your September 28 memorandum on the extension of Section 124 of the Trade Act reached me after some delay in transit. I read with interest the paper on extending the President's residual tariff negotiating authority. The proposal makes good sense. I hope that the Office will be successful in its efforts to obtain extension.

ER/df

SEARS, ROEBUCK AND CO.
SEARS TOWER
CHICAGO, ILLINOIS 60684

October 22, 1981

JOHN F. WADDLE
Vice President
Children's Apparel Group
Department 700-S
312-875-2555

National Headquarters

Office of Private Sector Liaison

Office of the U. S. Trade Representative
Room 123 Winder Building
600 Seventeenth Street N.W.
Washington, D. C. 20506

Dear Ms. Bonanno and Mr. Murphy:

I agree that there should be an extension of the President's residual tariff negotiating authority as embodied in Section 124 of the Trade Act of 1974.

With the number of projects in work in trade negotiations, it is important for the President to retain such authority as a trade negotiation tool.

Sincerely,

John F. Waddle

JFW:eep

Member ISAC_17

Sisco Associates

1730 M STREET, N. W. • WASHINGTON, D. C. 20036 • (202) 293-2400

JEAN HEAD SISCO
JOSEPH J. SISCO

October 13, 1981

Phyllis Bonanno
Director, Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N. W.
Washington, D. C. 20506

Subject: Extension of Section 124 Authority

Dear Phyllis:

I give my full support to the extension of Section 124 Tariff Authority. Continuous negotiations are vital to international trade. To confine trade negotiations to concentrated periods is not productive. The multilateral process should be ongoing as is provided for in the extension of 124.

In the consumer goods area, some of the imported goods which are not produced in any large quantity in this country have not been adequately treated under Section 124. A high tariff on these goods serves only as a revenue source and has little affect on U.S. products. Section 124 should be expanded to allow the President to reduce such ~~tariffs~~ either unilaterally or through negotiations.

Sincerely,

Jean Head Sisco

JHS:blt

TRW

October 27, 1981

Office of Private Sector Liaison
Office of the U. S. Trade Representative
Room 123
Winder Building
600 Seventeenth Street, N. W.
Washington, D. C. 20506

Gentlemen:

This refers to your announcement to the effect that the President's authority to negotiate tariffs as embodied in Section 124 of the Trade Act of 1974 will expire on January 3, 1982.

It is our feeling that this authority should be extended so that negotiations still in process can be continued, and so that advantage can continue to be taken of future negotiating opportunities as they develop.

Given the state of the country's economy and the rapid changes taking place in international trade, we feel that it is important for the President to be in a position where he can pursue improved access to foreign markets for U. S. goods.

Yours very truly,

TRW AFTERMARKET OPERATIONS

Albert K. Boughner
Director, Aftermarket Sourcing

AKB:ctz

david r. webb co., inc.

main office:
206 s. holland st.
p.o. box 8
edinburgh,
indiana 46124
U.S.A.
phone (812)526-2601
telex 217449

sales offices:
150 east 58th street
17th floor
new york,
new york 10155
phone (212)753-5178

204 westchester drive
p.o. box 1693
high point,
north carolina 27260
phone (919)886-4941

Edinburgh, Indiana

October 20, 1981

Office of Private Sector Liaison
Office of the U.S. Trade Representative
Room 123, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Attention: Ms. Phyllis Bonanno

Dear Ms. Bonanno:

Thank you very much for your memo dated October 15, 1981, regarding the extension of Section 124 Tariff Authority. After reading your communication I am absolutely convinced that Section 124 must be extended indefinitely, if possible.

I feel that any impediment to world trade will, in the long run, be detrimental to the United States even if some sectors of our economy may feel that tariffs might give them short range benefits. In the long run, free trade is the only principal which should guide our international tariff negotiations. Anything that limits the President's authority in negotiation trade reductions should be abolished.

Besides the indefinite extension of the time limit on Section 124, we also feel that specific limitations on duty reductions under the current law should also be completely eliminated.

Sincerely yours,

DAVID R. WEBB CO., INC.

John A. Grunwald
President

BEST COPY AVAILABLE

STATEMENT OF REP. FORTNEY H. STARK (CALIFORNIA) ON H.R. 4761, A BILL EXTENDING FOR TWO YEARS THE PRESIDENT'S RESIDUAL TARIFF NEGOTIATING AUTHORITY

Mr. Chairman, Members of the Committee

I appreciate the opportunity to submit written comments on H.R. 4761, a bill to extend for two additional years the residual tariff negotiating authority under section 124 of the Trade Act of 1974.

First, I would just like to say for the record that I am surprised, as I am sure you are, that the Administration is so late in making this request and so vague in defining what future trade negotiations it has in mind.

I think it is very important that the Congress have some indications from the Office of the U. S. Trade Representative as to what this additional authority will be used for it. In 1982, we are likely to face more stagflation, higher unemployment, and ballooning balance of trade deficits due to an overly appreciated dollar. As a result, there is likely to be great resistence in the Congress and in the Nation to more trade negotiations and lower tariffs--unless the nature of those negotiations and their cost-benefit ratio are clearly spelled out ahead of time.

I believe there are at least two areas where a continuation of tariff negotiating authority is desirable in order to promote U.S. trade interests. I would hope that the Subcommittee would make special note of these areas and include them as a "direction" for the USTR, either through actual bill language or in report language.

First, the Semiconductor Industry Association has supported lower tariffs at a harmonized rate between the U.S. and Japan. The recent announcement that both nations will accelerate their MTN tariff reductions and move next year to a 4.2% rate is highly commendable. The Semiconductor Industry Association is willing to go further, however, and move to a zero tariff, assuming that Japan and some of the other major semiconductor producers also eliminate tariffs. This position is also supported by the U.S. - Japan Economic Relations Group in their two reports issued this year. I would like to support the position of the SIA and urge that if section 124 authority is extended, that the USTR be instructed to undertake additional semiconductor negotiations. You and the other Members of the Trade Subcommittee are to be commended for including this concept in your bill, H.R. 4346.

Second, under section 854 of the Trade Agreements Act of 1979, a report is due from the President by January 1, 1982, on international trade in alcoholic beverages. The California wine and brandy industries are particularly interested in the possibility of additional export opportunities. I believe that if section 124 is extended, the USTR should be directed to use the authority to enter into negotiations to remove barriers identified under section 854(c). I believe that if the American wine and alcohol industries are given the opportunity to compete abroad, that we can increase the value of U.S. exports by tens of millions of dollars. The U.S. makes a wide range of quality, low-cost beverages which are kept out of foreign markets by unreasonable tariffs and nontariff barriers. Therefore, I would hope that the Trade Subcommittee could direct that the results of the section 854 study could be coordinated with any extension of section 124 to improve our trade opportunities in alcoholic beverages.

VIC FAZIO
4TH DISTRICT, CALIFORNIA

COMMITTEE:
APPROPRIATIONS

1421 LONGWORTH HOUSE
OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-5716

SPECIAL PHONE FOR THE
HEARING IMPAIRED
TTY-202-225-1984

Congress of the United States
House of Representatives
Washington, D.C. 20515

RECEIVED

December 7, 1981

Subcommittee on Trade

The Honorable Sam M. Gibbons
Chairman, Committee on Ways & Means
Subcommittee on Trade
Room 2206, Rayburn Building
Washington, D.C. 20515

Dear Congressman Gibbons:

California agriculture has become increasingly dependent on foreign exports. The continued growth of California wine exports will depend upon the approval of legislation to extend the negotiating authority under Section 124 of the Trade Act of 1974.

I would greatly appreciate if you would sponsor legislation to extend negotiating authority and allow for prompt enactment of the bill.

Sincerely,

VIC FAZIO
Member of Congress

VF:pfp

NORMAN Y. MINETA
MEMBER OF CONGRESS
13th DISTRICT, CALIFORNIA

COMMITTEES:
PUBLIC WORKS AND
TRANSPORTATION
BUDGET
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
2352 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2631

DISTRICT OFFICES:
SUITE 310
1248 SOUTH WINCHESTER BOULEVARD
SAN JOSE, CALIFORNIA 95128
TELEPHONE: (408) 984-8048

SUITE D
7981 WEBB AVENUE
GILROY, CALIFORNIA 95020
TELEPHONE: (408) 847-3964

December 9, 1981

RECEIVED

DEC 16 1981

Ways and Means
Subcommittee on Trade

The Honorable Sam M. Gibbons
Chairman, Committee on Ways & Means
Subcommittee on Trade
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Gibbons:

California agriculture has become increasingly dependent on foreign exports. The continued growth of California wine exports will depend upon Section 124 of the Trade Act of 1974.

I would greatly appreciate it if you would sponsor legislation to extend negotiating authority and allow for prompt enactment of the bill.

Sincerely yours,

NORMAN Y. MINETA
Member of Congress

NYM/pko/w

BEST COPY AVAILABLE

LEON E. PANETTA
19TH DISTRICT, CALIFORNIA

COMMITTEES:
BUDGET
CHAIRMAN
TASK FORCE ON RECONCILIATION AND BUDGET ENFORCEMENT
BUDGET COMMITTEE
AGRICULTURE
HOUSE ADMINISTRATION
(ON LEAVE)

MAJORITY REGIONAL WHIP

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
431 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-3601

DISTRICT OFFICES:
300 ALVARADO STREET
MONTEREY, CALIFORNIA 93940
(408) 649-3555

HOLLISTER, CALIFORNIA
(408) 637-0890

SALINAS, CALIFORNIA
(408) 424-2229

SAN LUIS OBISPO, CALIFORNIA
(805) 543-0134

SANTA CRUZ, CALIFORNIA
(408) 429-1976

December 8, 1981

7-fyi

DEC 1981

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
2206 Rayburn HOB
Inside Mail

Dear Sam:

As you know, California agriculture has become increasingly dependent upon foreign exports. To insure that our exports particularly of California wine, continue to expand, I think it is important to consider extending negotiating authority to our Special Trade Representative.

I urge you to hold hearings on the possibility of extending negotiating authority under Section 124 of the Trade Act of 1974. I think it would be useful to carefully examine this possibility with a view toward improving our nation's trade situation.

Thank you in advance for your consideration of my suggestion. If I can ever be of assistance to you, please let me know.

Sincerely,

LEON E. PANETTA
Member of Congress

LEP:kbd

NORMAN D. SHUMWAY
12TH DISTRICT, CALIFORNIA

COMMITTEES:
COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS
MERCHANT MARINE AND FISHERIES
SELECT COMMITTEE ON AGING

12/11/81

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WASHINGTON, D.C. 20515
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CHRISTOPHER C. SEEGER
ADMINISTRATIVE ASSISTANT

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(209) 464-7812
MARK A. DENERO
DISTRICT REPRESENTATIVE

Congress of the United States
House of Representatives
Washington, D.C. 20515

RECEIVED

NOV 1981

November 18, 1981

Subcommittee on Trade

NOV 19 1981

The Honorable Sam M. Gibbons
Chairman, Committee on Ways & Means
Subcommittee on Trade
Rm. 2206, Rayburn Building
Washington, D.C. 20515

Dear Congressman Gibbons:

California agriculture has become increasingly dependent on foreign exports. The continued growth of California wine exports will depend upon the approval of legislation to extend the negotiating authority of the United States Trade Representative under Section 124 of the Trade Act of 1974.

H.R. 4761 provides for this authority, and I would greatly appreciate your efforts to assure passage of this legislation.

Sincerely,

NORMAN D. SHUMWAY
Member of Congress

NDS/jb

TO THE

SUBCOMMITTEE ON TRADE

COMMITTEE ON WAYS AND MEANS

UNITED STATES HOUSE OF REPRESENTATIVES

IN OPPOSITION TO

H.R. 4761

A Bill To Extend The Residual Authority To Negotiate Duties Under Section 124 Of The Trade Act of 1974

JOINT STATEMENT

OF

United Food & Commercial Workers
International Union, AFL-CIO
1775 K Street, N.W.
Washington, D.C. 20006
William H. Wynn, President

Amalgamated Clothing & Textile
Workers Union, AFL-CIO
15 Union Square
New York, New York 10003
Murray H. Finley, President
Jacob Sheinkman, Secretary-
Treasurer

November 25, 1981

Introduction

This statement is being submitted jointly by the United Food & Commercial Workers International Union, AFL-CIO (UFCW), and the Amalgamated Clothing and Textile Workers Union, AFL-CIO in opposition to H.R. 4761, a bill to extend for two years the residual authority to negotiate duties under Section 124 of the Trade Act of 1974. The membership of each of the two unions includes domestic shoe workers, and the two Unions together represent the majority of workers in the U.S. shoe industry. These workers face a difficult struggle to maintain jobs in a domestic market which continues to be inundated with imported footwear. The recent termination of import relief, which limited footwear imports from Taiwan and Korea, is expected to cause an even greater increase in imports and thus compound the difficulties faced by American shoe workers. We have already begun to see this happen. The Unions vigorously oppose H.R. 4761, a bill which would allow the President to cut duties on imported footwear and, in doing so, place an entire industry in jeopardy.

The U.S. Shoe Industry is An Import-Sensitive and Import-Injured Industry

The import sensitivity of and the import injury sustained by the domestic shoe industry are well documented. Severe import competition has resulted in declining production and employment in the domestic footwear industry for more than a decade. Since 1967, more than 70,000 shoe jobs have been lost and the number of production facilities has fallen by almost one-third. Over this period, domestic production has declined almost without interruption, from 642 million pairs in 1968 to 397 million pairs in 1980. Conversely, imports have continued to increase, relentlessly penetrating large portions of the U.S. market. From 182 million pairs in 1968, nonrubber footwear imports increased to record-high levels of 405 million pairs in 1979, and continued at the unacceptably high level of 366 million pairs in 1980. Nevertheless, import penetration declined by only one percentage point. Imports hold fully one-half of the U.S. market for nonrubber footwear.

The intense degree of injury to the domestic footwear industry from imports was confirmed by two unanimous decisions in "escape clause" cases brought before the U.S. International Trade Commission. The latter decision, in February 1977, led to President Carter's decision to negotiate Orderly Marketing Agreements (OMAs) with Taiwan and Korea, at the time the two major suppliers of footwear to

the United States. These OMAs, which were in effect from June 28, 1977 through June 1981, were not completely successful at stemming the tide of imports as other countries took advantage of the restrictions on Korea and Taiwan to increase their exports to the United States.

Congress itself recognized the extreme import-sensitivity of the shoe industry. The Senate Finance Committtee initiated the second "escape clause" case after the first unanimous decision by the International Trade Commission brought no relief. Moreover, in recognition of this import-sensitivity, footwear was among the handful of articles specifically excluded from designation as eligible articles for the purposes of the Generalized System of Prefrences under Title V of the Trade Act of 1974.

Now that the OMAs have been terminated and import relief is over, the import problem has deteriorated and the shoe industry is faced with an even more difficult struggle to remain viable in the face of unacceptably high levels of imports. It is clear that total nonrubber footwear imports in 1981 will exceed 1980 levels if trends continue as for the last few months. For the months of August and September, imports were running 24 percent above levels a year ago.

Workers in the shoe industry have fought long and hard for relief from imports. The battle is far from over. They cannot afford to see their efforts to fight import injury

hindered, or in fact destroyed, by a reduction in the tariff rates on imported shoes.

H.R. 4761 Could Seriously Hurt the Shoe Industry and Other Import-Sensitive Industries

Passage of H.R. 4761 and utilization of the authority to negotiate further duty cuts could seriously hurt this and other import-sensitive industries. During the Multilateral Trade Negotiations, footwear was excluded from any duty cuts because they were subject to import relief. Footwear was also excluded by virtue of import relief, from the lists of articles being considered during 1980 and 1981 for possible duty modification under Section 124 of the Trade Act of 1974. Since import relief has been terminated, however, the shoe industry cannot be assured that it will not be affected by tariff cuts if the residual tariff cutting authority is extended. If, on top of the termination of import relief, the shoe industry was now faced with duty cuts, the consequences could be devastating.

We know that negotiations with the European Community have been initiated by the U.S. It is conceivable that the EC will demand duty cuts on shoes and other leather products since Italy is a major supplier of leather goods, including shoes, to the United States. In the first nine months of 1981, Italy accounted for more than 20 percent of total U.S. imports of nonrubber footwear, and was the third largest foreign country supplier. If the President agrees to cut duties on footwear to gain concessions from the EC,

the flood gates to imports from all over the world would be opened. Considering that the U.S. market is already the most open market in the world, with the lowest tariff rates on imported footwear, the situation which would ensue with even lower duties would be chaotic.

H.R. 4761 Should Not Be Passed

Passage of H.R. 5761 clearly would not be in the best interest of the shoe industry, nor any other import-sensitive industry. Firms and workers in these industries cannot afford further losses in jobs, production, and market share and still remain viable in the face of imported articles entering the United States at lowered duties.

Only if shoes and other import-sensitive articles are specifically excluded from consideration for further duty cuts should such a bill pass. To exclude products which are "import-sensitive" in general is not enough. Such products must be specifically listed by name, as shoes and certain other products are listed in Section 503 (c)(1) of the Trade Act of 1974. We do not want to have the duties on imported shoes cut, nor do we even want such an action to be a possibility.

The United Food & Commercial Workers International Union and the Amalgamated Clothing and Textile Workers Union join together to voice their opposition to H.R. 4761. There should be no extension of the residual authority to negotiate duties under Section 124 of the Trade Act of 1974. We urge this Committee not to report this bill favorably.

American Association of
Exporters and
Importers
11 West 42nd Street, New York, NY 10036 (212) 944-2230
Cable: AAOEXIM

November 23, 1981

COMMITTEE ON
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WAYS AND MEANS

Mr. John J. Salmon
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Salmon:

The American Association of Exporters and Importers (AAEI) strongly supports H.R. 4761, to extend for an additional two years the residual tariff negotiating authority under section 124 of the Trade Act of 1974. The Association respectfully urges prompt approval of the bill.

A limited delegation of tariff negotiating authority between major negotiating rounds is appropriate for several reasons. First,the international trade community has discovered, and almost certainly will continue to discover, anomalies in the tariff reductions negotiated in Geneva during the MTN. Such anomalies are inevitable in across-the-board negotiations, and the President should have the authority to resolve them as they are uncovered. Given the increasing complexity of trade, tariff disparities should not be left to accumulate for the next major round of negotiations.

Second, the President should have at least a limited tariff reducing authority available for use with his authority to negotiate nontariff barriers as he seeks to increase U.S. access to foreign markets. Such authority will be of particular value with countries which still rely on tariffs as a primary device for restricing imports.

The authority is carefully restricted so that it will be of value in resolving technical tariff issues but cannot provide the basis for major changes in U.S. tariff policies.

Because the President's existing authority expires on January 3, 1982 and a number of requests for negotiations are pending, AAEI urges that H.R. 4761 be considered on its own merits with a goal of expeditious approval.

AAEI appreciates the Subcommittee's interest in this matter and would be pleased to answer any questions you may have.

Very truly yours,

Eugene J. Milosh
Executive Vice President

EJM:ck

American Electronics Association
Government Operations Office

AEA

1612 K Street N.W.
Washington, D.C. 20006

(202) 659-9416

RECEIVED
DEC 17 1981
Ways and Means
Subcommittee on Trade

December 15, 1981

Trade

The Honorable Sam M. Gibbons
United States House of Representatives
2204 Rayburn House Office Building
Washington, D.C. 20515

DEC 16 1981

Dear Congressman Gibbons:

The American Electronics Association respectfully urges you to support prompt passage of H.R. 4761, the United States Trade Representative's proposal for a two year extension of his tariff negotiating authority provided under Section 124 of the Trade Act of 1974. The current authority expires January 3, 1982.

The two year extension is important for several reasons. Most important is the possibility of enhancing U.S. market access to countries that still use tariffs as meaningful trade barriers, particularly some of the less developed countries. Also, the extension may aid in solving disparity problems left over from the Tokyo Round.

AEA also respectfully urges that this proposal be passed without being tied to other issues that still need further development. The proposal simply extends the current limited authorities for an additional two years.

Please advise us if we can be of any assistance to you or your staff on this matter.

Sincerely,

Judith J. Levy
Manager,
International Affairs

JJL/de

AFL-CIO

STATEMENT ON SECTION 124 TARIFF AUTHORITY

October 8, 1981

The AFL-CIO believes that the President's authority to negotiate tariff cuts according to Section 124 of the Trade Act of 1974 should be allowed to expire for the following reasons:

First, the Tokyo Round's staging of tariff reductions over 8 years, starting in 1979, will not be complete for some time. Therefore, much of the hard-won bargains and concessions from the Tokyo Round will be undercut and avoided by additional tariff cutting negotiations. The bill would compound the adjustments already required by the average total tariff cuts of 32 percent in the Multilateral Trade Negotiations. Those multilateral negotiations for five years did not lead to full cuts because of the compromises. It seems inappropriate to extend the authority into the future.

In short, the United States has given more than it received in most of the tariff rounds for the past three decades. There is no reason to reduce U.S. tariffs even further, while the U.S. and the rest of the world have not even digested the tariff cuts in the Tokyo Round.

Second, the Congress limited Section 124 to two years -- not to continue tariff cutting, but to provide for "housekeeping

negotiations." The two years are up and the "housekeeping negotiations" to clean up odds and ends at the end of the Tokyo Round should have been taken care of. Section 124 was not to be used to start new negotiations or as renewable authority every two years.

Third, the examples used in the background paper suggest an additional reason for not granting the authority: first, the Japanese semi-conductor negotiations have not, in the view of many in organized labor, been "successfully concluded," as the paper states. The market has fallen out of semi-conductors just as U.S. tariffs are lowest. The Japanese tariffs are down, but Japanese practices, which effectively require and/or encourage production in Japan for export, have not changed. Thus the harmonization of the tariff on semi-conductors between U.S. and Japan may lead to more companies going to Japan and a loss of U.S. competitive strength -- in the U.S. Meanwhile, the Europeans have not reduced their 17 percent tariff on semi-conductors. They can ship to the U.S. at the new low rate. The result will be expansion of production in Japan and the EEC, while the U.S. has reduced its tariffs (unilaterally for Europe).

These factors are aggravating a collapsing semi-conductor market.

The Canadian example used in the background paper raises another problem. AFL-CIO representatives have protested the U.S. attack on Canadian practices on investment, Canadian production requirements, etc. Those practices are not going to go away because of tariff-cutting negotiations. For the U.S. to

offer new tariff concessions while the Canadians are encouraging U.S. production capacity to move North, however, is to assault the U.S. economy further. Thus, it is one thing to oppose trying to pick a fight with Canada, as we have, even though their policies may be disadvantageous to the U.S. But it is another to offer them tariff reductions at a time when the U.S. supposedly is not feeling happy about the kinds of actions the Canadian government has taken. Certainly we don't want to encourage investment in Canada for sale in the U.S. We want fair trade.

Fourth, there are reports about negotiations with many other countries and very little information about them. For example, there are reports about bilaterals in the Far East, where countries like Taiwan and the Philippines have tariffs as high as 100 percent on electronic items, for example. The private sector was not fully apprised of such negotiations, and still does not know what progress has been made. If any progress is made with one of these countries, and the U.S. lowers a tariff rate for a product, it lowers that rate for all countries under the "most favored nation" doctrine, not just one country. While the overall reductions are limited in depth, the cut in one item could have major consequences for that product.

Additional tariff-cutting actions would tend to further undermine the industrial base and act as a further invitation to ship to the U.S. market from relatively closed markets abroad.

Thus the prospect of mutual benefit from further tariff cuts is unlikely. The European barriers and recession will retard export gains. Other nations have higher barriers and/or limited funds.

Instead, the U.S. trade balance, which has been in deficit for five years, would be worsened. The deficit range has moved to between $30 billion and $40 billion a year. In August, the deficit reached $5.6 billion, as sharp rises in manufactures, such as steel, added to other imports. To encourage more imports at this time through tariff cutting would worsen prospects for changing the deficit.

American Paper Institute, Inc.
260 Madison Avenue, New York, N.Y. 10016/(212) 340-0600
cable address: AMPAPINST New York

COMMITTEE ON
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NOV 30 1981
WAYS AND MEANS

November 25, 1981

Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Salmon:

The American Paper Institute is the national trade association for the manufacturers of pulp, paper, and paperboard. Its members produce ninety percent of all paper manufactured in the United States, with direct and indirect exports estimated at $13.8 billion in 1980.

The American Paper Institute urges the passage of H.R. 4761, which extends the President's authority to enter into trade agreements with foreign countries under Section 124 of the Trade Act of 1974. Although the passage of H.R. 4761 would provide a limited grant of authority, it contains, in our view, a useful tool in carrying out U.S. obligations under existing international trade agreements. We would also urge that H.R. 4761 be passed in its present form without amendment or other changes.

The Industry Sector Advisory Committee (ISAC 12), which I chair, has also reviewed the proposed legislation and has agreed unanimously that its passage would be in the interest of the U.S. in general and the paper industry in particular.

Sincerely,

Irene W. Meister

Irene W. Meister
Vice President, International

IWM:lm

Before the House Ways and Means Committee
Subcommittee on Trade

Statement
On Behalf Of
Associated Tobacco Manufacturers
In Support of H. R. 4761

The Association of Tobacco Manufacturers (ATM) represents independent U.S. producers of pipe tobacco, chewing tobacco and snuff. We believe that a substantial reduction in the common external tariff of the European Economic Community (EEC) on those products would enable U.S. producers to take advantage of a potentially important export market.

At the present time, the EEC tariff on pipe tobacco is 117% ad valorem. The EEC tariff on chewing tobacco and snuff is 65% ad valorem. These excessively high tariff rates stifle meaningful U.S. exports to the EEC, because pipe tobacco, chewing tobacco and snuff are very price sensititve. That is, demand will respond to the price effect of reduced tariff barriers.

In the present circumstances, the EEC enjoys an enormous trade surplus with the United States where these products are concerned. As shown below, the dollar value of U. S. imports of pipe tobacco, chewing tobacco and snuff from the EEC is about 2,300% greater than U. S. exports of those products to the EEC.

United States - EEC Trade in Pipe Tobacco,
Chewing Tobacco and Snuff
(1978-1980 Aggregate)

	U. S. Imports	U. S. Exports	Balance
Quantity (lbs.)	4,526,212	294,681	- 4,231,531
Value	$10,764,688	$467,667	-$10,297,021

The U. S. deficit noted above is largely attributable to the great disparity in tariff levels between the United States and the EEC. The following chart illustrates the discrepancy.

United States - EEC Tariff Rates

	Pipe Tobacco (TSUSA 170.8025)	Chewing Tobacco (TSUSA 170.8045)	Snuff (TSUSA 170.7800)
U. S. (1980 AVE):	5.3%	13.9%	1%
EEC :	117%	65%	65%

We believe that, because of efficient production, fine quality, and reasonable prices, these U. S. tobacco products would find a ready market in the EEC if the EEC tariff barriers were substantially reduced. For that reason, we asked the United States Trade Representative, William Brock, on April 30, 1981, to initiate a tariff negotiation with the EEC. Such a negotiation, however, cannot reach fruition unless the residual tariff negotiating authority in Section 124 of the Trade Act of 1974 (19 USC 2134) is extended beyond its expiration date at the end of this year. Therefore, we heartily support H. R. 4761 and urge its prompt passage.

Herbert H. Middleton, Jr.
President, Associted Tobacco
Manufacturers
President, John Middleton, Inc.
King of Prussia, PA 19406

BAT CAVE STOVE COMPANY

BAT CAVE, NORTH CAROLINA 28710

Phone (704) 685-8836

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WAYS AND MEANS

November 10, 1981

HONORABLE DAN ROSTENKOWSKI, CHAIRMAN
Ways and Means Committee
2111 Rayburn House Office Building
Washington, DC 20515

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Ways and Means
Subcommittee on Trade

Dear Mr. Rostenkowski:

The Wood Heating Alliance is a national trade organization representing the manufacturers, distributors, and dealers of woodstoves, fireplaces and related accessories. Some of our members import foreign made appliances into the United States and some of our members export appliances manufactured here in the U.S. Consequently, the WHA has a substantial interest in the level of import duties imposed on woodstoves by countries which are U.S. trading partners.

The Office of the U.S. Trade Representatives is aware of the disparity between U.S. and Canadian tariffs on woodstove appliances. That office has expressed an interest in the existing disparities and has agreed to take the matter up in future negotiations under residual negotiating authority granted to the President in Section 124 of the Trade Act of 1974. We understand, however, that the Section 124 authority will expire at the end of this year.

In my capacity as President of Bat Cave Stove Company, and the founder of Grizzly Stove Company in Blissfield, Michigan, I urge that the Section 124 negotiating authority be extended. The outcome of negotiations which have been initiated regarding tariffs on woodstoves depends upon such an extension beyond the end of the year. I am a supporter of free trade but it appears unfair that Canadian manufacturers may export stoves to the U.S., while the tariff barrier makes it very difficult for U.S. manufacturers to export to the lucrative Canadian stove market.

I will appreciate every consideration given to the concerns of our industry and, particularly, the businessmen in the United States.

Very truly yours,

Edwin E. Elliott
President

cc: Carter Keithley
Grizzly Stoves

mmm

COMMITTEE ON
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NOV 30 1981

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Scott E. Sterling

* Not Admitted in D. C.

Walter Flowers
William F. Fox, Jr.
Of Counsel

November 25, 1981

John J. Salmon, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth
Washington, D.C. 20515

Dear Mr. Salmon:

On behalf of its bicycle manufacturer members,* the Bicycle Manufacturers Association of America, Inc. ("BMA") wishes to express its opposition to H.R. 4761, a bill to extend until January 2, 1984 the President's authority to negotiate tariff reductions under section 124 of the Trade Act of 1974. It is our understanding that H.R. 4761 would preserve intact the President's current authority under section 124 to order reduction of U.S. tariffs by as much as 20 percent over the cuts already negotiated during the Tokyo Round of the Multilateral Trade Negotiations ("MTN"). The major restriction on this power would continue to be section 127's prohibition against cutting tariffs of products while they are subject to import relief. BMA regards this and the other exceptions to the sweeping powers created by section 124 as insufficient to protect the interests of import sensitive American industries, and urges the Committee on Ways and Means not to report H.R. 4761 favorably for this reason.

While BMA has in the past called upon the U.S. government to demand that our nation's trading partners reduce their

---

* The four bicycle manufacturer members of BMA are AMF Wheel Goods Division, Columbia Manufacturing Company, Huffy Corporation, and Murray Ohio Manufacturing Company. Together these manufacturers account for approximately 85 percent of domestically produced bicycles. The remaining members of BMA are 13 companies which supply parts and components to these manufacturers.

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tariffs on bicycles to comport with the relatively low level of the U.S. duty on these products -- a goal that extension of section 124 authority might be instrumental in achieving -- BMA cannot, on balance, support the virtual carte blanche sought to be given the President by H.R. 4761. The domestic bicycle industry is extremely import sensitive, and has been subjected to excessive surges of imports with every reduction in the U.S. tariff rate over the last thirty years. It was in recognition of this that bicycles were one of the few articles not subject to import relief which were exempted from the duty cuts resulting from the MTN. Nevertheless, import penetration rose sharply from 16.3 percent in 1979 to 22.8 percent in 1980 and 24.2 percent in the first half of this year. If the President were to authorize further reductions in the already low U.S. tariff on bicycles pursuant to the extended authority of section 124, domestic bicycle manufacturers would be severely injured.

For these reasons, BMA urges the Committee to reject H.R. 4761. If the President is to continue to have the extraordinary powers conferred by section 124 of the Trade Act, some safeguards must be introduced to insure that industries long subject to severe import competition -- such as the bicycle industry -- will not bear the brunt of reciprocal tariff negotiations. BMA would propose that bicycles and other import sensitive articles be expressly excluded, by name, from the scope of section 124 authority, just as certain import sensitive products are currently exempt from the system of trade preferences created by Title V of the Trade Act of 1974. In the alternative, articles currently reserved from negotiations by virtue of being subject to import relief or placed on the exceptions list should be specifically excluded from any tariff reductions during this period of extended negotiating authority. Any less effective safeguards would make the bicycle and similar industries, in the literal sense of the word, expendable.

Very truly yours,

Lauren R. Howard

THOMAS F. SHANNON
LAUREN R. HOWARD

Counsel to the Bicycle
Manufacturers Association
of America, Inc.

California Association of Winegrape Growers
926 J Street, Suite 908, Sacramento, California 95814 — (916) 441-1455

November 24, 1981

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Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth Building
Washington, D.C. 20515

Re: HR 4761 (Gibbons, Frenzel) - Extension of Section 124 Negotiating Authority

Dear Mr. Salmon:

The California Association of Winegrape Growers (CAWG) represents growers of approximately 55% of the available tonnage of grapes crushed for wine in California. California produces 93% of the wine grown in the United States. Of the approximately $9 billion investment of California vintners and growers, about $6 billion of that amount are in vineyards producing winegrapes.

As growers we are extremely interested in seeing that the provisions of Section 854 of the Trade Agreements Act of 1979 are fully implemented. Our interest is due to winegrape growers' need to continuously seek increased markets for winegrapes and the resulting product -- wine. Unlike our vintner customers, who need only buy the grapes needed to produce the wine they can sell, the grower must sell everything he produces each year.

U.S. producers have lost 12% share of the U.S. wine market to imports over the past ten years. That loss represents about 42,000 acres of grapes that U.S. winegrape growers could have been producing, but instead are being grown in a foreign country. This loss of market has resulted in some grapes remaining unsold each harvest.

In 1980 imports, largely from Italy, France, and Germany, were 102 million gallons while U.S. exports were only 8 million gallons -- about one-half of which were to Canada. Only about 1.2 million gallons were able to enter the European Economic Community.

Our growers basic position is that U.S. wines should have equal access to foreign markets as foreign wines have to the U.S. market. They see the President's Report to Congress, mandated by Section 854 of the Trade Agreements Act of 1979, as the means to expose the tariff and non-tariff barriers erected by foreign countries to keep out our wines and then to provide the means for reducing or eliminating such barriers through the negotiation process.

The result should be increased access of our fine California wines to world markets and therefore increased demand for California wine and winegrapes.

Unfortunately, even though the President's Report to the Congress is completed, the necessary negotiation authority under Section 124 of the Trade Act of 1974, terminates at the end of this year.

We strongly urge that the legislation introduced by Congressmen Gibbons and Frenzel (HR 4761) to extend that authority for an additional two years be inacted. Further, that the use of the extended authority for negotiation of barriers to the export of U.S. alcoholic beverages be given the highest priority. Although there are many possible uses for the extended authority, only one use is mandated by Section 854 of the Trade Agreements Act of 1979.

Yours very truly,

Robert P. Hartzell
Executive Vice President

RPH:sw

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* Not Admitted in D. C.

Walter Flowers
William F. Fox, Jr.
Of Counsel

November 25, 1981

COMMITTEE ON WAYS AND MEANS
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John J. Salmon, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth Building
Washington, D.C. 20515

Dear Mr. Salmon:

The Committee to Preserve American Color Television ("COMPACT"), a labor-industry coalition organized for the purpose of securing effective enforcement of the U.S. trade laws for the benefit of the domestic color television industry,* hereby registers its opposition to H.R. 4761, a bill to extend for two years the President's authority to negotiate tariff reductions pursuant to section 124 of the Trade Act of 1974. While COMPACT takes no issue with the general principle of reciprocal tariff negotiations, we believe that H.R. 4761, in its present form, contains insufficient legislative checks upon the prerogatives of the Executive with regard to import sensitive industries.

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* The members of COMPACT include: the Industrial Union Department, AFL-CIO; the Allied Industrial Workers of America, International Union; the American Flint Glass Workers Union of North America; the Communications Workers of America; the Glass Bottle Blowers' Association of the U.S. and Canada; the Independent Radionic Workers of America; the International Association of Machinists; the International Brotherhood of Electrical Workers; the International Union of Electrical, Radio and Machine Workers; the United Furniture Workers of America; the United Steelworkers of America; Corning Glass Works; Owens-Illinois, Inc.; Sprague Electric Company; and Wells-Gardner Electronics Corp.

It is our understanding that the bill in question would preserve intact the current restrictions on the President's residual authority, the most important of which is section 127's prohibition against cutting tariffs on products subject to import relief under section 203 of the Trade Act of 1974. COMPACT believes that these restrictions do not sufficiently safeguard the interests of those American industries -- often described as "import sensitive" -- which are least able to weather further tariff reductions on imported products.

Implementation of an import relief program under the "escape clause" provisions is only one indicium of import sensitivity. Vulnerability to imports may be reflected in a variety of other official governmental actions, including antidumping and countervailing duty findings or orders; voluntary restraint agreements on the part of foreign governments; affirmative "escape clause" injury determinations by the U.S. International Trade Commission ("ITC") which do not give rise to import relief because of the President's failure to take affirmative action; and prior determinations by the Executive to place certain articles on an "exceptions list" and thereby exempt them from the initial duty reductions of the Multilateral Trade Negotiations ("MTN"). COMPACT submits that any and all of these indicia should serve to suspend the President's authority under section 124 to negotiate further duty reductions with respect to the affected products. In addition, industries such as those producing color televisions and picture tubes which have already demonstrated their import sensitivity should be expressly exempted from any tariff reductions during the extension period.

At the present time, television receivers imported from Japan are subject to a dumping finding issued by the ITC in 1971, and, as a result of a unanimous ITC decision under the "escape clause" provisions, color television imports from Korea and Taiwan are restricted by orderly marketing agreements until June 1982. A similar OMA with Japan expired in June 1980. These remedial measures attest to the extreme import sensitivity of domestic color television production. By 1976, when imports skyrocketed to 2.8 million units and captured 33 percent of the U.S. market, industry profits had fallen to a dismal 3.7 percent of sales, down from a rate of 8.7 percent in 1971. The industry has yet to recover, with 1979 and 1980 profits at 0.8 and 1.9 percent, respectively, and employment in 1980 at about half the level of 1973.

Clearly, any reduction of the tariff rates on completed sets or components would have an extremely harmful effect on the industry's efforts to recover. In this connection, we note that in August 1980, the Administration published a list of items -- including monochrome television receivers and certain color television set components -- which were candidates for tariff cuts under section 124. COMPACT went on record as opposing tariff cuts for these items, and we reiterate that any extension of section 124 authority should prohibit the President from reducing duties on these import sensitive items.

COMPACT is also especially concerned with the effect an unrestricted extension of section 124 authority might have upon the current duty on imports of color picture tubes. Domestic tube production is the life-force of the U.S. color television industry. The capital intensive character of tube production makes it extremely volume sensitive and thus especially vulnerable to imports. In recognition of this, the Tariff Schedules of the United States have long set the tariff on imported tubes at 15 percent ad valorem; and in further acknowledgment of these facts, the Executive Branch decided to maintain this duty by placing color picture tubes on the "exceptions list" during the Tokyo Round of the MTN.

Nevertheless, despite the 15 percent duty, current market conditions, both here and abroad, have caused U.S. imports of color picture tubes from Japan to skyrocket in 1980 and 1981. From 46,188 units in 1975, Japanese tube imports climbed to 520,645 units in 1980 and already stand at 654,087 units through August of this year. At this rate, color picture tube imports from Japan will exceed 1,000,000 units by the end of the year. Because tube production is so volume sensitive, the threat to U.S. tube manufacturing is patent, and COMPACT is by no means confident that the Government of Japan will not seek to facilitate tube imports even further by seeking reduction of the U.S. duty on color picture tubes.

The history of the domestic television industry's efforts to secure effective enforcement of U.S. international trade laws makes painfully evident that the Executive Branch has sometimes been surprisingly eager to accommodate the Government of Japan with respect to matters relating to imports of Japanese televisions, despite multiple determinations that such imports were often in violation of U.S. law and were injuring the domestic industry. COMPACT is

frankly reluctant, for just this reason, to leave the fate of the American color television industry entirely in the hands of the Executive.

Because H.R. 4761 would place absolutely no restrictions on the President's authority to negotiate reductions of the tariffs on color televisions and color television components, including picture tubes, despite their demonstrated import sensitivity, COMPACT strongly urges the Committee to reject that bill. Any extension of residual tariff cutting authority must be inapplicable to those goods, such as color televisions, picture tubes, and other television components which have been the subject of previous governmental actions designed to protect domestic producers of such goods from injurious foreign competition and must expressly exempt color televisions and color picture tubes from tariff reductions during the extension period.

Very truly yours,

Lauren R. Howard

LAUREN R. HOWARD
PAUL D. CULLEN
MICHAEL R. KERSHOW

Counsel for the
Committee to Preserve
American Color Television

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Ways and Means
Subcommittee on Trade

CBEMA

December 10, 1981

COMMITTEE ON
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DEC 11 1981
WAYS AND MEANS

Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means, Room 1102
U.S. House of Representatives
Longsworth House Office Building
Washington, D.C. 20515

Dear Mr. Salmon:

The Computer and Business Equipment Manufacturers Association (CBEMA) respectfully urges passage of the bill, H.R. 4761, extending for an additional two years the President's tariff negotiating authority under Section 124 of the Trade Act of 1974.

CBEMA's member companies are the leading manufacturers of computer and business equipment, with over $50 billion in combined annual revenues and nearly 1,000,000 employees worldwide. In our view, extension of Section 124 authority ensures that an important negotiating tool remains available to the Administration as it pursues fairer trade rules, increased U.S. exports, and the successful implementation of the Tokyo Round Codes. The bill does not permit tariff reductions below those levels that can be negotiated today but it will, we think, give the opportunity to resolve specific tariff disparities left open in the Tokyo Round. Denial of the extension forecloses this possibility.

Importantly for our industry, H.R. 4761 may facilitate a reduction of the landed-cost disadvantages facing U.S. exporters of computers to Japan, or semiconductors to Europe, as a result of the higher tariffs into those markets than into the U.S. Certainly all U.S. exporters stand to benefit from continuing a dialogue with the LDC's on their levels of tariffs, and with Canada on the tariff increases it may be considering as compensation for GATT Valuation Code implementation.

CBEMA endorsed H.R. 4761 as a member of the Joint Industry Group in an earlier letter to Mr. Gibbons and Mr. Frenzel. We wish to take this opportunity to restate our support. The tariff parity and tariff reductions which the Administration will be permitted to seek under the bill may encourage our trading partners to move from protectionist policies to more acceptable measures to stimulate the world economy. We think the results can be freer market access for U.S. products and improvement in the U.S. balance of payments. In light of the imminent expiration of Section 124 authority, early passage of H.R. 4761 is encouraged.

Very truly yours,

Vico E. Henriques
President

VEH:cah

cc: Ambassador William Brock, USTR

Computer and Business Equipment Manufacturers Association 1828 L Street, N.W., Washington, D.C. 20036 (202) 466-2288

COMMENTS OF FOOTWEAR INDUSTRIES OF AMERICA, INC., ON H.R. 4761, TO EXTEND FOR AN ADDITIONAL TWO YEARS THE RESIDUAL TARIFF NEGOTIATING AUTHORITY UNDER SECTION 124 OF THE TRADE ACT OF 1974

NOVEMBER 25, 1981

INTRODUCTION

Footwear Industries of America, Inc., (FIA) is a trade association whose members account for the majority of nonrubber footwear produced in the United States and a substantial number of suppliers to the industry. We are pleased to have this opportunity to comment on H.R. 4761, introduced by Mr. Sam Gibbons and Mr. William Frenzel, to extend for an additional two years the residual tariff negotiating authority under Section 124 of the Trade Act of 1974.

FIA generally recognizes the need for an extension of the President's authority to enter into trade agreements with foreign countries and to proclaim reductions or increases in duties or continuation of existing duties or duty-free treatment if he determines existing foreign or U.S. duties or other import restrictions unduly burden and restrict U.S. foreign trade.

However, in extending the President's tariff-negotiating authority, Footwear Industries of America recommends that the special needs of import-impacted industries be taken into consideration. Specifically, we recommend that the President's authority to reduce tariffs not be extended to import sensitive products or, in the alternative, certainly not to those industries which have been subject to import relief, for a specified period of time following termination of such relief.

BACKGROUND

The import-sensitive nature of nonrubber footwear is especially well-documented. The Congress specifically recognized this problem and included nonrubber footwear in a list of articles excluded from eligibility for Generalized System of Preferences (GSP) treatment under Title V of the Trade Act of 1974. Further, the International Trade Commission (ITC) twice unanimously determined that imports seriously injured the domestic footwear industry (in 1976 and 1977). Following the second unanimous injury finding, import relief was granted to the industry in June, 1977, in the form of Orderly Marketing Agreements (OMA's) negotiated with Taiwan and Korea to limit imports from those two sources for four years (June 30, 1977 - June 30, 1981). In April, 1981, the ITC concluded that footwear imports continued to injure the domestic industry, and recommended extension of import quotas on footwear from Taiwan, the largest single foreign supplier. The ITC further recommended that action be taken against surges from other countries whose imports undermined the import relief program and threatened the domestic industry. However, on June 30, 1981, despite the ITC's recommendation, President Reagan announced his decision to terminate the Orderly Marketing Agreements with both Taiwan and Korea. Thus, the industry presently is not subject to any form of import relief.

Prior to the imposition of import relief, throughout the four-year relief period, and currently, imports have captured roughly one half of the domestic market for footwear. This is the highest import penetration rate of any major industry — far higher even than automobiles or steel. It should be noted that even during the period of import relief there was no decline in the total number of footwear imports, despite the reductions imposed on Taiwan and Korea. In fact, imports actually increased to unprecedented numbers in 1979, due to surges

from countries not controlled by the OMAs. This fact prompted the ITC to recommend, as noted above, that any extension of import relief must encompass tighter controls on non-OMA countries to provide for a more effective relief program than was in existence at that time. As the Commissioners stated in their majority opinion on the case:

> "Import penetration during the relief period has increased...which means that the domestic industry is giving up nearly one half of its home market to imports and remains vulnerable to increased penetration and injury in the absence of additional protection."

Despite excessively high import levels, domestic nonrubber footwear manufacturers utilized the four-year import relief period to improve productivity through substantially increased investment in capital equipment and research and development. Further, new management and marketing programs were developed and implemented to enhance the competitive position of the industry. As a result of its efforts to compete, the industry "stabilized" during the import relief period; but stabilization does not indicate a return to health. Many of the improvements initiated during the import relief period were in their infancy when relief was terminated. This, in fact, was a basic underpinning of the ITC's recommendation for continued import relief for this industry. Again, as they stated in their majority opinion:

> "Four years is a short adjustment period when viewed in the context of the length of time required to devise and implement new technology, marketing approaches and other adjustment efforts."
>
> "...the industry has made major efforts to adjust to competition...the benefits of these investments are just beginning to be felt, but it will be some time before their full impact will be realized."

Gains, still taking hold, remain fragile — and could be destroyed if tariff rates on footwear are lowered, inviting a renewed surge in imports.

With the termination of the import relief program, it appears that imports in 1981 could exceed 1980 levels, if the trends of the last few months continue. Imports in the months of August and September increased by roughly 24% over the comparable year ago period. Moreover, sources of imports continue to shift. For example, in the first nine months of this year, nonrubber footwear imports from Taiwan declined by 21% from year ago levels; but imports from Brazil rose by 40%, imports from Hong Kong rose by 44%, and imports from the People's Republic of China rose by 278%.

Equally disturbing, domestic production has continued to decline, dropping 6.4% in the first eight months of this year.

THE UNITED STATES IS THE FOCAL POINT FOR WORLD FOOTWEAR EXPORTS

A renewed surge clearly is anticipated since the United States already is the focal point for other nations' footwear exports, as it is the largest and most open market in the world. Approximately 70 countries export nonrubber footwear to the United States, which historically has been the largest single country market for world trade in nonrubber footwear, absorbing a significant portion of total world exports of these products.

U. S. imports accounted for 39 percent of total nonrubber footwear imports by OECD countries in 1976 and 1977, the latest year for which such data are available. Data compiled by the Shoe and Allied Trade Research Association (World Footwear Industries Statistical Review 1978) indicate that the United States market absorbs more than one half of the total footwear exports from Taiwan, Brazil, Japan, Mexico, and the Philippines, and close to one-half of the total footwear exports from Korea, Hong Kong, Spain and Greece. For most of the

world's top 19 footwear exporting countries (which account for almost 85 percent of total world exports) the United States is the single largest recipient of footwear exports, absorbing 41 percent of total exports by these 19 countries.

Barriers to imports of nonrubber footwear that exist in foreign markets outside the United States contribute to a diversion of trade to the U.S. market. U.S. tariffs on nonrubber footwear are among the lowest in the world, generally ranging from 2.5 to 20 percent ad valorem; the trade-weighted average ad valorem rate was approximately 10 percent in 1979. Moreover, non-tariff barriers here virtually are non-existent. (In fact, the one non-tariff barrier applicable to shoes, American Selling Price, was abolished on July 1, 1981.) In comparison, many of the other major consuming and producing nations have substantially higher tariff rates on nonrubber footwear, and some of the major producers and exporters of nonrubber footwear in the developing countries maintain tariff and non-tariff barriers that virtually prohibit penetration by foreign producers. It is no wonder, then, that the U.S. bears the brunt of world trade in this commodity.

The attached report entitled Footwear Tariff and Trade Regulations: Major Foreign Markets, prepared by the Department of Commerce in May, 1981, surveys tariff and trade regulations covering the importation of footwear in 53 countries. /Retained in subcommittee files/ A review of this report clearly illustrates the stringent barriers to footwear imports imposed by many of our trading partners — in both developed and less-developed countries.

For example, Canada has imposed a global quota on footwear imports, restricting them until December, 1981. Quotas could be extended, pending

review. Canadian duties for countries with MFN status range from 22½% - 25% ad valorem. In Korea, the general duty range is 60% ad valorem; and leather footwear imports currently are banned. Mexico's duty rate is 35% ad valorem FOB; in addition, there is a surcharge of 2% on the normal value of the merchandise, a surtax of 3% on the calculated duty, and a luxury tax of 6% on the normal value of the merchandise. Furthermore, licenses are required on all footwear, and are not issued freely. In the Philippines, footwear is classified as a consumer item which cannot be imported. Duties in Spain range from 8% - 35% ad valorem, with an additional compensatory imports tax of 10%. Taiwan imposes duties of 25% - 85% ad valorem, requires licenses and imposes additional taxes of almost 20%.

Brazil's duties virtually prohibit footwear imports. In addition to its 170% ad valorem tariff, it has a deposit scheme and it imposes a 12% merchandise circulation tax and a merchant marine renewal charge of 20% of net ocean freight charge on all imports by sea. Moreover, import licenses are generally not issued for footwear. Duties in Australia generally are 34% or 46.5% ad valorem; in addition quantitative restrictions on many types of footwear have been in effect there since 1974. Duties in Japan range from 8.6% - 27%; it also has a severe quota on imports of leather products which includes leather footwear.

In addition to the trade barriers briefly outlined above, non-tariff barriers on hides and leather affect world trade in nonrubber footwear. The most important of these barriers are export restrictions on hides and leather. Strong world demand for hides and leather and global hide shortages caused the price of hides, leather and leather products to rise rapidly beginning in late 1978 and continuing through 1979. Those countries restricting their exports of

hides are able, in such market conditions, to maintain domestic raw material prices at a level below world prices and thus are able to develop leather products industries that are highly competitive in the world market.

Such restrictive trade practices have an obviously damaging effect on the United States, a major producer and trader of hides, which has no restrictions on the export of hides. As a consequence of this lack of restrictions, U.S. producers of footwear and other leather products often pay higher prices for raw materials than foreign competitors in those countries that do restrict exports of raw materials. Therefore, on the world market and in their own market, U.S. producers are at a competitive disadvantage with such producers vis-a-vis the cost of raw materials, a major component of the cost of production of some types of footwear. Furthermore, exports of finished products from those countries that restrict their raw materials exports are often targeted to the relatively open U.S. market, thus compounding the effect on the U.S. footwear and other leather products industries.

Among those countries that restrict their hide exports are Argentina, Uruguay, and Brazil. By first placing embargoes and then levying export taxes on hides, these countries have protected their own domestic leather products industries from the pressures of rising world hide prices.

SUMMARY AND RECOMMENDATION

The domestic footwear industry has been, and continues to be, severely injured by imports. The ITC recently acknowledged the continued threat, and recommended extension of the Orderly Marketing Agreement with Taiwan. However, the import relief program was terminated. Clearly any reduction in U.S. tariffs on footwear will further exacerbate an already severe problem.

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The stringent trade barriers on footwear in many other countries preclude development of alternative markets for the world's footwear exporters. Thus, the United States, which is the largest and most open market in the world, can expect to remain the focal point for world footwear exports. Any reduction in the already low domestic duty rates will only invite a renewed surge in footwear imports.

Therefore, Footwear Industries of America suggests that any extension of the President's residual authority should be subjected to more stringent Congressional guidelines. Section 127 of the Trade Act of 1974 presently prohibits the President from negotiating duty reductions pursuant to Section 124 while an import relief program is in effect with respect to the product in question. FIA submits that the continued ill health of the U.S. shoe industry, notwithstanding the recent period of import relief, demonstrates that this exception to Section 124 authority is too narrow to adequately serve the Congressional intent of protecting import sensitive industries. What is needed is a "laundry list" of import sensitive articles -- including shoes -- similar to the list of products exempted from the system of trade preferences created by Title V of the Trade Act of 1974; or, at the very least, the exception contained in Section 127 should be expanded so as to prohibit Section 124 duty restrictions within a substantial period <u>after</u> import relief for an industry has expired (e.g. -- five years), not just <u>during</u> its term. If the President is to be given the authority to reduce tariffs, it is only in either of these ways that American industries injured by imports will be assured the recovery period necessary to meet new conditions of international competition.

IZAA INDEPENDENT ZINC ALLOYERS ASSOCIATION
900 17th St., N.W., Suite 504, Washington, D.C. 20006 · 202/785-0550

COMMITTEE ON
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WAYS AND MEANS

Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Salmon:

The purpose of these comments is to express the position of the Independent Zinc Alloyers Association (IZAA) on H.R. 4761.

The IZAA represents approximately 75% of the production capacity of nonintegrated alloyers of zinc in the United States. They supply zinc to the casting and foundry industries. Zinc castings are a vital component of the automotive, electronics, electrical, construction, computer, business machines, and other industries in the nation. Independent zinc alloyers are the chief link in the domestic chain of distribution of zinc alloy. U.S. zinc producers, now able to provide only one-third of the country's zinc requirements, dedicate only a small part of their output to zinc casting alloy.

In 1977, the IZAA requested that the 19% ad valorem on zinc alloy imports be excepted from the Tokyo Round of GATT negotiations. On presentation of requested confidential and other information to the Department of Commerce supporting the continued need for the duty, an exception was granted by U.S. negotiators. Subsequently, the U.S. exception was tabled at Geneva and our trading partners agreed to it. The duty, therefore, was not subject to GATT tariff negotiations. As a result, the nonintegrated alloyer is the only segment of the beleaguered U.S. zinc industry able to maintain its domestic production and marketing integrity.

The removal from the Multilateral Tariff Negotiations of the duty on zinc alloys imported into the U.S. has been public policy for the past four years. The IZAA respectfully requests that H.R. 4761 to extend Section 124 of the Trade Act of 1974 take cognizance of this policy and continue to except the duty on zinc alloy from the President's residual negotiating powers.

Respectfully yours,

Ernest B. Goldstein

Ernest B. Goldstein
President

November 30, 1981

DAVE

INDUSTRY SECTOR ADVISORY COMMITTEE #3
Chemical and Allied Products

RECEIVED
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Ways and Means
Committee on Trade

November 23, 1981

Office of Private Sector Liaison
Office of the United States Trade Representative
Room 123 Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Attention: Ms. Karen Alleman

Re: Extention of Section 124 Authority

Dear Ms. Alleman:

This is to confirm the advice given to you during the course of your meeting with ISAC #3 on October 28, 1981 concerning subject extension.

ISAC #3 would not oppose the extension of Section 124 if it were modified to exclude from such authority those products that received less than full authority tariff cuts during the Tokyo Round. As we discussed during the ISAC meeting, a great deal of time and effort was spent by both industry and government representatives to identify those products deemed to be sensitive to imports. These were the products that then received less than full authority cuts or, in some instances, were completely exempted from tariff cutting. It therefore seems logical to continue to treat these products as sensitive and, accordingly, exempt them from Section 124 tariff cutting authority.

We would suggest adding a separate subsection to Section 124 of the Trade Act of 1974 something along the following lines:

> "No proclamation shall be made pursuant to subsection (a) decreasing any rate of duty on an article to which the maximum authority granted by section 101 was not exercised if, in the period during which agreements were entered into under section 101, such article was found to be import sensitive."

As we discussed at the ISAC meeting, such a modification as that suggested above would be very helpful in reducing the administrative costs of following and reacting to notifications of proposed Section 124 actions. These cost savings would accrue to both the companies concerned and the responsible government personnel.

Because of their interest in the matter we are sending copies of this letter to the appropriate Congressional staff members.

On behalf of the ISAC let me again thank you for your time and interest. We, of course, hope that our suggestion will be received favorably.

Sincerely,

Richard M. Brennan
Chairman
Industry Sector Advisory
Committee #3
Chemical and Allied Products

TO THE

SUBCOMMITTEE ON TRADE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

IN OPPOSITION TO

H.R. 4761

JOINT STATEMENT

OF

LUGGAGE AND LEATHER GOODS MANUFACTURERS OF AMERICA, INC.	INTERNATIONAL LEATHER GOODS, PLASTICS AND NOVELTY WORKERS' UNION, AFL-CIO	NATIONAL HANDBAG ASSOCIATION
Leroy Weiner, President	Frank Casale, General President	Barry Frankel, President
Robert K. Ermatinger, Executive Vice President		Ed Levy, Executive Director

November 25, 1981

This joint statement is submitted in opposition to H.R. 4761, which would extend the residual authority to negotiate duties under Section 124 of the Trade Act of 1974 for two additional years.

The Luggage and Leather Goods Manufacturers of America, Inc. (LLGMA) is a trade association representing domestic producers of luggage and personal leather goods.

The International Leather Goods, Plastics, and Novelty Workers' Union, AFL-CIO represents a substantial number of workers in the domestic handbag, luggage, and personal leather goods industries.

The National Handbag Association (NHA) is a trade association representing the domestic handbag industry.

Few industry sectors have been as severely affected by import competition as the U.S. leather products industry sectors. Whether handbags, luggage, or personal leather goods, each of these industries has been characterized by increasing imports which have caused lost market share and jobs in these industries.

The two trade associations and the Union are opposed to any action taken which could result in tariff cuts on imports of luggage, flat goods or handbags. The legislation embodied in H.R. 4761 would do that by allowing tariff cuts to be negotiated beyond the January 1982 expiration date of Section 124 of the Trade Act. These industries could be directly affected by an extension of this authority,

inasmuch as duty cuts on these products would invite an increasing volume of imports. This would, in turn, result in further losses in market share and jobs for domestic firms and workers.

These Industries Are Highly Import-Sensitive

Each of these industries is highly import-sensitive and has already suffered at the hands of increasing levels of imports.

Imports of luggage and personal leather goods have captured increasing shares of the U.S. market. Over the last decade, imports of luggage and personal leather goods have risen substantially in terms of both dollar value and as a percent of apparent domestic consumption. U.S. imports of luggage increased almost six-fold between 1972 and 1980; and, based on the f.o.b. value of imports, import penetration in 1980 reached 28.6 percent. U.S. imports of personal leather goods during this same period have increased almost four-fold, and 1980 import penetration based on the f.o.b. value was 13 percent. Both of these figures, based on the f.o.b., foreign port value of imports are understated. More accurate figures, based on industry estimates, place import penetration at 36 and 25 percent respectively, for luggage and personal leather goods.

Imports of handbags have caused even more severe damage to domestic manufacturers of handbags and workers in this industry. Imports have captured a significant share of

the U.S. market for handbags, as import penetration, in terms of quantity, has grown from 29 percent in 1967 to almost 75 percent in 1980. These increasing volumes of imports are an ongoing concern in this labor-intensive industry. Domestic production of handbags has declined from 97 million units in 1967 to an estimated 54 million units in 1980. Yet the total market for handbags in the U.S. has grown by 42 percent during the same period, from an estimated 136 million units in 1967 to an estimated 193 million units in 1980.

Employment levels in these industries have suffered. The handbag industry has lost thousands of jobs in the last decade. In the luggage industry, employment levels, which had been on a gradual downward trend, fell dramatically by 3,000 workers in 1980. In the personal leather goods industry, employment levels have, at best, stagnated over the last few years.

Passage of H.R. 4761 Could Adversely Affect the Luggage, Flat Goods, and Handbags Industries

Passage of H.R. 4761, and more importantly, the exercising of the authority to reduce duties insofar as luggage, flat goods, and handbags are concerned, would adversely affect these industries and their workers.

Tariffs on U.S. imports of luggage, flat goods, and handbags have already been substantially reduced over the past several years. In the most recently completed

Multilateral Trade Negotiations, duties were cut on many luggage, flat goods, and handbags of leather and textile materials. Only products of plastic were spared from duty cuts. These tariff reductions, staged over eight years and to be fully effective by 1987, ranged from 10 percent (leather handbags over $20) to the full 60 percent (luggage, flat goods, and handbags of textile materials, wholly or in part of braid). The authority to reduce tariffs further is certainly not desirable nor necessary in light of the substantial reductions which have already occurred.

In August 1980, a long list of luggage, flat goods, and handbags items was included among hundreds of items under consideration for possible tariff cuts under the residual tariff cutting authority of Section 124. A representative of the International Leather Goods, Plastics and Novelty Workers' Union appeared before the Trade Policy Staff Committee and the U.S. International Trade Commission in opposition to such action.

More recently, representatives of these three industries appeared before the same two bodies to oppose the designation of certain luggage, flat goods, and handbags as eligible articles for the purposes of the GSP. Most of the articles produced by these industries are not currently subject to duty-free treatment, a situation consistent with import sensitvity of these products.

For the reasons we oppose the addition of any luggage, flat goods, or handbags to the GSP list, we must oppose H.R.

4761. Any added impetus to increasing imports, such as further tariff reductions, has a potential for further adversely affecting the domestic luggage, flat goods, and handbag industries. We are very concerned that an extension of the President's residual tariff cutting authority will lead to further duty cuts on these products which will contribute to the negative effects which increasing levels of imports have already had on firms and workers in these industries. The already minimal protection of low import duties should not be subject to further reduction.

We are particularly concerned about the extension of the tariff cutting authority in light of negotiations which are already underway. The United States is seeking lower tariffs on almonds and citrus from the European Community. We have no assurances that the EC will not seek -- and the U.S. will not agree to -- duty cuts on leather products. In fact, we are extremely concerned that this may happen. Not only is Italy the major producer of almonds and citrus in the EC, but Italy is also a major exporter of leather products to the United States. Such facts speak directly to the concern of these three industries regarding extension of the tariff cutting authority.

Because of these concerns, we can envision only one method by which passage of such legislation can be justified. If the bill is amended to provide for the specific exclusion of import sensitive articles, such as

luggage, flat goods, and handbags, by name, the potential of adversely affecting firms and workers in import sensitive industries such as these could be minimized. A general exclusion of all "import sensitive" articles is simply not enough. As this industry has seen time and time again in matters relating to the Generalized System of Preferences, industries are forced to reprove their import sensitivity in every instance. Thus, the only acceptable revision in H.R. 4761 must specifically exclude import sensitive products by name from further tariff negotiations.

Conclusion

For all the reasons outlined in this statement, the Luggage and Leather Goods Manufacturers of America, Inc., the International Leather Goods, Plastics and Novelty Workers' Union, AFL-CIO, and the National Handbag Association oppose H.R. 4761. We believe that there should be no extension of the residual authority to negotiate and reduce duties under Section 124 of the Trade Act of 1974. The bill should not be reported favorably by this Committee.

THE JOINT INDUSTRY GROUP

U.S. CHAMBER OF COMMERCE
WASHINGTON, D.C.

DAVID J. ELLIOTT, CHAIRMAN
P.O. BOX 599, CINCINNATI, OHIO 45201

RECEIVED
OCT 27 1981
Ways and Means
Subcommittee on Trade

October 21, 1981

The Honorable Sam M. Gibbons
Chairman, House Ways & Means Subcommittee on Trade
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Joint Industry Group compliments you on your introduction of H.R. 4761 and respectfully urges you to work for its prompt passage. The Joint Industry Group believes that the bill's simple 2 year extension of the tariff negotiating authority of the U.S. Trade Representative provided under Section 124 of tne Trade Act of 1974 is important for several reasons. The current authority expires at the end of this year. We believe the proposed extension is important for several reasons. One significant need is to resolve disparity problems left over from the Tokyo Round, such as those now being discussed with Canada and the EC semi-conductor tariffs of 17% compared with the present U.S. and Japanese rates of 4.2%. Also, most important is the possibility of enhancing U.S. market access to countries that still use tariffs as meaningful trade barriers.

While there can be no advance assurance that these benefits will be achieved, denial of an extension will virtually ensure that they are not.

The Joint Industry Group also respectfully urges that this proposal be passed without substantive amendments and without being tied to other issues that still need further development. It should also be noted that this proposal does not permit tariff reductions below levels that can be negotiated today; it simply extends the current limited authorities for an additional two years.

This letter is written to you by the Joint Industry Group on behalf of its member associations and the businesses they represent. The undersigned welcomes any questions that you or your staff may have; his telephone number is (513) 562-4967.

Very sincerely yours,

David J. Elliott
Chairman
The Joint Industry Group

DJE:djb

The Joint Industry Group represents the following associations and their members:

The American Electronics Association - has over 1500 high technology electronics companies. Its members are mostly small to medium in size, with more than half employing fewer than 200 people.

The American Association of Exporters and Importers - represents over 1,200 companies, many small to medium in size, plus 200 customs brokers, attorneys and banks.

The American Paper Institute - Serves companies that manufacture pulp, paper and paper board in the U.S. Provides a forum for members to discuss, within legal constraints, issues that affect them.

The American Retail Federation - an umbrella organization encompassing thirty national and fifty state retail associations that represent more than one million retail establishments with over 13,000,000 employees.

The Chamber of Commerce of the United States - represents 79,000 companies and 4,000 state and local Chambers of Commerce.

The Cigar Association of America - includes 75% of all U.S. cigar sales and major cigar tobacco leaf dealers.

The Computer & Business Equipment Manufacturers Association - includes nearly forty members with 1,000,000 employees and in excess of $50 billion in worldwide revenues. Members range from the smallest to the largest in the industry.

The Council of American-Flag Ship Operators - represents the interests of the American liner industry.

The Air Transport Association of America - represents nearly all scheduled airlines of the United States.

The Electronic Industries Association - its 350 member companies, which range in size from some of the very largest American businesses to manufacturers in the $25-50 million annual sales range, have plants in every State in the Union.

National Association of Photographic Manufacturers - its corporate membership employs approximately 115,000 individuals and represents over 90% of domestic shipments of photographic products.

The Foreign Trade Association of Southern California - represents 250 firms in Southern California in the import-export trade.

The International Hardwood Products Association - an international association of 250 importers, suppliers and allied industry members. Members handle 75% of all imported hardwood products and range in size from small private businesses to the largest in the industry.

The Motor Vehicle Manufacturers Association - its 11 members produce 99% of all U.S.-made motor vehicles.

The National Committee on International Trade Documentation - includes many of the major U.S. industrial and service companies.

National Customs Brokers & Forwarders Assoc. of America, Inc. - a nationwide organization composed of licensed Customs brokers and ocean/airfreight forwarding firms. The national association has 24 regional and local affiliated associations of brokers and forwarders located in every major U.S. port. The combined membership handles most of the general cargo imported into and exported from this country.

Pharmaceutical Manufacturers Association - is a non-profit scientific and professional organization. Its active members are composed of firms that discover, develop and produce prescription drugs, medical devices and diagnostic products.

The Scientific Apparatus Makers Association - represents manufacturers and distributors of scientific, industrial and medical instrumentation and related equipment.

The U.S. Council of the International Chamber of Commerce - a business policy-making organization which represents and serves the interests of several hundred multinational corporations before relevant national and international authorities.

COMMENTS OF LEAD-ZINC PRODUCERS COMMITTEE ON H.R. 4761
SUBMITTED TO TRADE SUBCOMMITTEE
HOUSE OF REPRESENTATIVES COMMITTEE ON WAYS AND MEANS

November 1981

The Lead-Zinc Producers Committee submits this statement in response to the Trade Subcommittee's request of November 12, 1981 for comments on H.R. 4761, a bill "to extend for two additional years the residual authority to negotiate duties under the Trade Act of 1974."

The Lead-Zinc Producers Committee consists of five member companies which account for most of the primary lead and zinc metal produced in the U.S. The members of the Committee are:

AMAX Lead & Zinc, Inc.

ASARCO Incorporated

The Bunker Hill Company

National Zinc Company

St. Joe Minerals Corp.

The Lead-Zinc Producers Committee seriously questions the desirability of extending the authority to reduce tariffs contained in Section 124 of the Trade Act of 1974. This position is based upon two essential concerns: first, how this authority will be used if Section 124 is extended, and second, how this authority would impact on the already poor state of health of the domestic lead and zinc industry.

I.

Despite the existence of residual tariff-cutting authority since the end of the Multilateral Trade

Negotiations, the Executive Branch appears to have actually used the authority of Section 124 only once, with regard to the U.S. and Japanese tariffs on semiconductors. However, the threat of using this authority to reduce the tariff on lead was raised with the Lead-Zinc Producers Committee to secure support for legislation which reduced the lead duty in 1980. A long list of hundreds of items that might be the subject of Section 124 tariff cuts was published in the Federal Register in August 1980. Lead bullion and unwrought lead were on that list resulting in appearances by producers before the Trade Policy Staff Committee and the International Trade Commission.

The U.S. Government has made approaches to Canada and the European Community, two of this industry's major competitors, to initiate negotiations. A list of items which the U.S. would consider for possible duty cuts was submitted to the Italian Government to attempt to persuade that Government to agree to have the European Community enter into tariff negotiations with the U.S.

Although the U.S. lead and zinc industry was not included on the so-called "Italian List," the products of other U.S. industries which had also submitted statements to the TPSC and the ITC in opposition to duty cuts were included. To date, we understand, neither the Italians nor the EC has agreed to enter into negotiations.

The Office of the U.S. Trade Representative has indicated that it expects to initiate tariff negotiations with Canada this fall, but so far as we know, no time table has yet been established to begin such negotiations. The Japanese Government has apparently indicated that it wants to await the conclusion of the semiconductor negotiations before considering any additional tariff negotiations.

We see no need to enact Section 124 legislation unless there is a reasonable prospect that countries want to negotiate with the U.S. and that they will grant meaningful concessions to U.S. exporters. There is little justification for extending the Section 124 authority based purely on vague plans, which is all that has occurred to date. H.R. 4761 should not move ahead unless Congress is told in specific terms what the Executive Branch expects to accomplish, which U.S. exports will be benefited, and which U.S. products are likely to be the subject of tariff cuts in the process.

II.

Even if there were good prospects of success that the use of the Section 124 authority would enhance U.S. exports, certain U.S. products should not be subject to tariff cuts under this authority because of their import sensitivity, particularly products of those U.S. industries in poor economic health today. Specific products should be excluded by law from any extension of Section 124.

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The lead and zinc industry cannot afford to have the tariffs on its products cut further. The effects of the tariff cuts on lead and zinc in the Multilateral Trade Negotiations and subsequent action by Congress in enacting a three-year reduction in the lead metal duty, have contributed to the depressed state of the industry today.

As Gulf Resources and Chemical Corporation recently pointed out in discussing the closing down of its Bunker Hill Company operations:

> In terms of constant dollars, there have been significant increases in the costs of production of lead, zinc and silver, particularly in labor and energy costs since 1970. In the same constant-dollar terms, today's price of lead and zinc is essentially the same as in 1970.... In addition, significant operating and capital costs have been imposed upon Bunker Hill's operations by the requirements of the environmental and health and safety laws. Over-capacity for lead and zinc have developed on a worldwide basis, in part because foreign governments have encouraged and in some instances subsidized mining and smelting operations.*

In 1980, Bunker Hill produced 20% of the total U.S. output of lead and zinc (as well as silver). At one time its facility in Idaho employed almost 2,500 workers. That work force has already been reduced to 1,600 and will disappear when the facility is closed permanently in early 1982.

Prices of both lead and zinc have fallen in recent months. Since August 1981, lead prices have declined by approximately three cents per month, averaging 37.05 cents per pound in October, compared to 45 cents per pound in

---

* Release of Gulf Resources and Chemical Corporation, Houston, Texas, November 10, 1981.

October 1980. Recent data for November indicate further weakness (32 cents per pound as of November 19). Prices for U.S. high-grade zinc have fallen since the September 1981 level.

Stocks have risen precipitously. October 1981 lead inventories rose 27 percent over September to 49,086 tons, contrasted to the October 1980 level of 29,231 short tons. Similar trends have occurred with regard to zinc. Inventories held by U.S. zinc smelters in October 1981 increased 24 percent over the September level. Shipments of both lead and zinc fell substantially during recent months.

Despite the weak domestic market, imports of lead and zinc have risen in 1981. Imports of unwrought, unalloyed lead in the first nine months of 1981 were 38 percent above those in the same period of 1980, and only four percent below lead imports for all of 1980. Similarly, imports of unwrought, unalloyed zinc in the first nine months of 1981 have already exceeded by 15 percent the volume of zinc imported in all of 1980.

III.

For the foregoing reasons, the Lead-Zinc Producers Committee believes that it is premature at this time for Congress to extend Section 124 without specifics as to who will benefit from increased exports, to which countries, and to what extent, and who will pay the price. Even if these points are answered to Congress' satisfaction, any extension of Section 124 should exclude by name of product those items that are import sensitive.

We would also suggest that the Section 124 matter is not the only trade question that should be raised at this time. There are several more important trade issues which should be given consideration by Congress at this time, including legislation to deal with the question of the terms and conditions of accessions to the Subsidies Code by developing countries.

366 MADISON AVENUE
NEW YORK, NEW YORK 10017

300 NEW CENTER BUILDING
DETROIT, MI 48202

MOTOR VEHICLE MANUFACTURERS ASSOCIATION
of the United States, Inc.
1909 K STREET, N.W., SUITE 300 • WASHINGTON, D.C. 20006 • AREA 202-862-3900

ROGER B. SMITH, *Chairman*
V. J. ADDUCI, *President and Chief Executive Officer*
THOMAS H. HANNA, *Senior Vice President*

November 25, 1981

Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Salmon:

In response to the Trade Subcommittee's request for written comments on H.R. 4761, the Motor Vehicle Manufacturers Association submits the following:

The Motor Vehicle Manufacturers Association* strongly supports an extension of the limited tariff reduction authority presently contained in Section 124 of the Trade Act of 1974 which expires on January 3, 1982. H.R. 4761, introduced by Trade Subcommittee Chairman Sam Gibbons and by Congressman Bill Frenzel, would continue this authority for an additional two years beyond the current expiration date. Therefore, we endorse H.R. 4761 and hope it receives positive consideration and prompt passage.

Section 124 authorizes the President to reduce U.S. tariffs by as much as 20 percent pursuant to a trade agreement with another country. This provides the President leverage in negotiating with our trading partners improved market access for U.S. exports. If the present authority is allowed to expire, negotiations would be made significantly more difficult. We believe the President should continue to hold the negotiating leverage which Section 124 now provides. Accordingly, we strongly support passage of H.R. 4761.

Very truly yours,

V. J. Adduci

*The eleven member companies of MVMA produce more than 99 percent of all domestic cars, trucks and buses. MVMA members are American Motors Corporation; Checker Motors Corporation; Chrysler Corporation; Ford Motor Company; Freightliner Corporation; General Motors Corporation; International Harvester Company; Mack Trucks, Inc.; PACCAR Inc; Volkswagen of America, Inc.; and White Motor Corporation.

TWX NO. 710-822-9245 AUTOMAKERS WSH

IN THE HOUSE OF REPRESENTATIVES

WAYS AND MEANS COMMITTEE

Subcommittee on Trade

In Re: H.R. 4761, Two Year Extension of Residual Tariff Negotiating Authority.

SUBMISSION OF THE NATIONAL ASSOCIATION OF BEVERAGE IMPORTERS

Rex D. Davis
President
National Association of
Beverage Importers
1025 Vermont Avenue, N.W.
Suite 1205
Washington, D.C. 20005
(Tel: 638-1617)

Thomas E. O'Neill, Counsel

November 25, 1981

SUBMISSION OF THE NATIONAL ASSOCIATION OF BEVERAGE IMPORTERS,

IN SUPPORT OF H.R. 4761

Introduction: The National Association of Beverage Importers, hereinafter NABI, is a membership corporation organized under the laws of the State of New York. It is the national trade association for imported beverage alcohol products, numbering in its membership over 100 importers of wine, spirits and beer. These products have been the subject of certain tariff concessions under the Trade Act of 1979 in its implementation of the tariff cutting authority of the Trade Act of 1974.

Background of This Proposed Legislation: On October 15, 1981, Congressman Sam M. Gibbons, Chairman of the Subcommittee on Trade of the House Ways and Means Committee, together with Congressman Bill Frenzel introduced H.R. 4761. This proposed legislation is bipartisan in nature and was introduced on behalf of the Administration to extend the residual tariff negotiation authority under Section 124 of the Trade Act of 1974. This authority currently authorizes the President to enter into trade agreements only until January 3, 1982.

The Imported Beverage Alcohol Industry: The imported beverage alcohol industry, like many other industries, is largely integrated with the domestic industry. This is particularly true in the area of wine and spirits. Many importers of beverage alcohol products have domestic ties and many domestic producers of beverage alcohol have import interests. Accordingly, NABI is committed to securing favorable treatment for both imports and exports through the elimination of tariff and non-tariff trade barriers on beverage alcohol products. There are a number of categories of beverage alcohol imports which, under the guidelines for tariff reduction in the 1974 Trade Act, could be the subject of reduction of import duty. However, in terms of the clear necessity for increasing U.S. exports, NABI would urge and expect that future tariff negotiations under Section 124, as extended, would not be on a commodity-by-commodity basis, but would be based upon the entire U.S. trade picture. Negotiations for tariff reductions for U.S. beverage alcohol exports could cover a tradeoff not only involving remaining permissible tariff cuts on imports of beverage alcohol products, but the whole range of U.S. imports.

Importance of Section 124: If Section 124 is not amended prior to the expiration date, it will close the door on any tariff negotiations, in terms of duty reductions on both imports and exports. It is essential to keep this door open for further tariff negotiations. There is no real reason for the expiration date other than the fact that Congress put this section in the Trade Act of 1974 as a "sunset" provision, for the obvious reason that trade negotiation authority should not be openended. There is no way that Congress could have known in 1974, the time of heavy debate on the Trade Act, that there would be a current international trade stagnation. The latest 1980-1981 GATT Report shows that the growth of the volume of world trade declined 6% in 1979 and 1.5% in 1980, with the decline continuing in 1981. This world economic climate operates as a severe restriction against increased U.S. exports. The current U.S. trade deficit, aggravated primarily because of escalating oil prices since 1974, was not foreseen by Congress when the Trade Act of 1974 was passed.

Applicability to Section 854: Section 854(a) of the Trade Act of 1979 states, "The President shall review foreign tariff and nontariff barriers affecting U.S. exports of alcoholic beverages," and report to Congress by January 1, 1982, on the results of the review.

Section 854(c) gives a mandate in connection with the foregoing:

> (c) FURTHER NEGOTIATIONS TO REMOVE BARRIERS - If, as the result of his review under subsection (a), the President determines that foreign tariff or nontariff barriers are unduly burdening or restricting the United States exports of alcoholic beverages, he shall enter into negotiations under the Trade Act of 1974 to eliminate or reduce such barriers.

It seems obvious that in regard to beverage alcohol products there has been a failure to provide a proper framework within the statute for further negotiations. This is because the only negotiating authority which the President can utilize under Section 854(c), above, is Section 124 of the Trade Act of 1974, which authority expires on January 3, 1982.

The report of the President required by Section 854(a) will be delivered to Congress within the next several weeks. This request will contain, among other findings, three sections on the market potential for U.S. exports of distilled spirits, wine and beer. In order to assist in the development of foreign markets for these beverage alcohol products the President needs "124 authority."

Protectionist Threat Looms: The United States currently faces a trade situation among its trading partners that could easily escalate into a protectionist trade war. U.S. Steel Corporation has threatened to file Section 301 complaints against 9 European countries, and the Commerce Department has taken preliminary steps of initiating steel-dumping complaints against 5 nations. This has produced a threat from the Common Market of retaliatory action against the United States. At the same time, the world's major textile producers are seeking ways to restrict imports from developing nations, in connection with the Multi-Fiber Agreement being negotiated in Geneva. U.S. Trade Representative William E. Brock recently underscored the danger of retaliation, "There are very few areas where we don't have serious problems - agriculture, steel, pharmaceuticals, chemicals, craft paper, and textiles."

Conclusion: This current trade situation clearly demonstrates the necessity for passage of H.R. 4761 in order to enable the United States to negotiate against the tide of protectionism. Expiration of this residual authority is against the overall financial interests of the United States in the present fiscal climate. If January 3rd passes without extension of this authority, it cannot be reinstated. It would necessitate an entirely new Trade Act. Most important is the fact that this Bill only continues the status quo; it does not grant any new tariff cutting authority to the President.

In the specific area of beverage alcohol, the extension of 124 authority is absolutely necessary to implement the statutory requirements for negotiations under Section 854(c).

Rex D. Davis

Rex D. Davis
President
National Association of
Beverage Importers
1025 Vermont Avenue, N.W.
Suite 1205
Washington, D.C. 20005
(Tel: 638-1617)

November 25, 1981

National Association of
Furniture Manufacturers

FURNITURE MANUFACTURERS ASSOCIATIONS
Office for Government Affairs

sfma

December 4, 1981

The Honorable
Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Gibbons:

On behalf of the [redacted]s and the [redacted]on I would like to offer our strong support for your bill, H.R. 4761, to extend by two years the residual tariff negotiating authority under Section 124 of the Trade Act of 1974.

The National Association of Furniture Manufacturers (NAFM) and the Southern Furniture Manufacturers Association (SFMA) are the largest furniture manufacturing trade associations in the United States. Over ten billion dollars in sales are produced annually by domestic furniture manufacturers, and sales by NAFM and SFMA member companies make up the vast majority of that figure. Also, NAFM and SFMA members have home offices or facilities in almost the entire fifty states and have over 300,000 employees.

An inequity currently exists between Canadian and U. S. duties on furniture products. In some categories furniture manufacturers exporting into Canada are required to pay 18.8% duty plus a 9% sales tax. The same furniture products exported from Canada into the U.S. are subject to duties of only 11% or less.

Under the Section 124 authority discussions which could possibly remedy this situation have been taking place between the U. S. and Canadian governments. The January 3, 1982, deadline will not allow sufficient time for these negotiations to be concluded, and thus, would halt this best possible means our industry has of realizing some relief from the inappropriately high Canadian duties.

918 16th Street, NW • Suite 402 • Washington, D. C. • (202) 466-7362

We urge prompt action on H.R. 4761 in your Trade Subcommittee to allow current negotiations which are dependent upon Section 124 authority to proceed uninterrupted.

Thank you for your attention to this matter.

Sincerely,

Joseph G. Gerard
Vice President for
Government Affairs
NAFM/SFMA

JGG/jnf

NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC.
690 Mamaroneck Avenue, Harrison, New York 10528
Telephone 914 • 698-7603

Trade

December 11, 1981

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Ways and Means
Subcommittee on Trade

DEC 15 1981

The Honorable Sam M. Gibbons
House of Representatives
Washington, D. C. 20515

Dear Mr. Gibbons:

I am writing you in your capacity as Chairman of the Subcommittee on Trade of the House Ways and Means Committee to express to you my views on legislation, which is undoubtedly under active consideration by the Subcommittee you chair, or if it is not, shortly will be. I refer specifically to the need for an extension of the President's residual tariff negotiating authority as embodied in Section 124 of the Trade Act of 1974.

Currently, I am a member of Industry Sector Advisory Committee (ISAC) 5, which encompasses electronics and instrumentation. Prior to that, and during the period of the "Tokyo Round" of trade negotiations, I was privileged to serve as chairman of ISAC 21, which represented photographic equipment and supplies. I also had the opportunity to serve as an industry advisor during the prior "Kennedy Round" of trade negotiations. I recite this litany only to indicate that, through long years of experience, I have come to recognize that the process of international trade negotiating is not alone complex and interwoven with political overtones, but is also lengthy, regardless of the hard work and dedication of those who bear the direct responsibility.

The "Tokyo Round" of multilateral negotiations was, in my opinion, a monumental accomplishment in this regard. Nonetheless, as you are all too well aware, their remain a multitude of issues which need to be resolved if the United States is to regain its rightful position in world trade.

While I am writing you as an individual member of ISAC 5, my day-to-day occupation as Executive Vice President of the National Association of Photographic Manufacturers leads me to believe that our industry, which maintains a favorable balance of trade despite strong inroads of foreign competition, strongly favors the extension of the President's authority under Section 124.

I know that my views will receive your full consideration. I trust that you agree with them and that you will utilize your leadership in acting favorably upon a request by the Administration seeking such an extension.

Respectfully yours,

Joseph T. Morris

Joseph T. Morris
Executive Vice President

JTM:js

National Forest
Products Association

John V. Ward
Director, International Trade

Forest Industries Building • 1619 Massachusetts Avenue, N.W.
Washington, D.C. 20036 • 202/797-5817

November 13, 1981

Ms. Phyllis B. Bonanno
Director, Private Sector Liaison
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20506

Dear Phyllis:

At its meeting on November 9, 1981, ISAC 10 for wood products developed a response to your memorandum of October 15, 1981 regarding Section 124 authority.

ISAC 10 strongly supports extension of this residual tariff negotiating authority to the maximum extent possible. The ISAC members feel that a number of major tariff items still need to be negotiated for the wood products industry, if it is to maximize its enormous exporting potential (see enclosed booklet "Increased Wood Products Exports: A Bonus for the Industry and Nation").

The top priority items for which ISAC 10 needs the government to use its negotiating authority are the following:

- EC Softwood Plywood Quota/Tariff
- Canadian Moulding and Millwork Duties
- Japanese Softwood Lumber, Softwood Plywood, Softwood and Hardwood Veneer, and Particleboard Duties
- Australian Softwood Lumber Duties

These items are discussed in greater detail in the industry's Sector Profile recently submitted.

Your assistance on this would be highly appreciated. If I can help in any way, please let me know.

Sincerely,

John V. Ward
Chairman, ISAC 10

cc: M.A. Smith ISAC 10
[illegible]

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WAYS AND MEANS

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* Not Admitted in D. C.

Walter Flowers
William F. Fox, Jr.
Of Counsel

November 25, 1981

John J. Salmon, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth Building
Washington, D.C. 20515

Dear Mr. Salmon:

It has come to our attention that the Committee on Ways and Means is presently considering a bill, H.R. 4761, which would extend, for a period of two years, the residual tariff negotiating authority presently conferred on the President by section 124 of the Trade Act of 1974. North American Philips Corporation ("NAPC") does not oppose this legislation but would urge, on behalf of its subsidiaries, Philips ECG, Inc. and N.A.P. Consumer Electronics Corp.. that the Committee consider the advisability of amending the bill to exempt from the scope of continuing section 124 authority all products that were reserved from tariff reductions during the Tokyo Round of the Multilateral Trade Negotiations ("MTN") either by reason of being subject to import relief or because of their import sensitivity.

One product placed on this "exceptions list" was color television picture tubes. Philips ECG, Inc. is currently one of five producers of color picture tubes in the United States. A portion of its tube production is sold to N.A.P. Consumer Electronics Corp., which manufactures and sells color television sets under the Magnavox, Sylvania, Philco and private brand labels. The balance of Philips ECG's output is sold to various assemblers of color television receivers who do not also manufacture color picture tubes. These so-called "non-captive" customers are largely American subsidiaries of Japanese color television manufacturers.

Because of the capital intensive nature of all picture tube manufacturing operations and the consequent need for

full utilization of production capacity, it is vital that this non-captive market for domestically-made tubes be preserved. However, Japanese tube producers -- who possess the largest manufacturing capacity in the world -- have recently attempted to compensate for a softening in the demand for their tubes in the European and Asian markets by dramatically increasing exports of picture tubes to the United States. Despite the current 15 percent duty, tube imports in January-September 1981 reached 737,486 units, or well above the 393,949 units imported in the same period one year ago. This trend threatens the continued profitability of U.S. tube producers, and Philips ECG is concerned that any reduction in the duty on color tubes will only exacerbate the injury by unleashing a full-scale flood of imported color picture tubes.

As for the domestic television industry, NAPC wishes to bring to your attention the fact that on four separate occasions during the last decade the U.S. International Trade Commission has found that the U.S. television industry had suffered or was threatened with suffering injury on account of the importation of television receivers. As a result of these findings, Japanese color television receivers remain subject to a 10-year old dumping finding; and while an orderly marketing agreement ("OMA") with Japan was allowed to expire in 1980, OMA's with Taiwan and the Republic of Korea remain in force. Despite all of these measures, the domestic color television industry remains in a precarious state of health, with total industry profits a meager 0.8 and 1.9 percent in 1979 and 1980, respectively. The industry currently faces another surge of imported color television receivers, with the 1.43 million units imported in January-September 1981 more than 60 percent higher than the 0.87 million units imported in January-September 1980 and already in excess of the 1.29 million units imported in all of 1980. The deluge of imported televisions that would surely accompany any reduction in the U.S. tariff rate would seriously exacerbate this already bleak scenario.

In summary, NAPC believes that import sensitive industries such as those manufacturing television picture tubes and television receivers should not be subject to tariff reductions during any extension of Presidential negotiating authority. In particular, NAPC submits that the decision to exempt color picture tubes from duty reductions during the Tokyo Round was well-considered and worthy of being given lasting effect by the Congress. Accordingly, we urge the

Committee on Ways and Means to incorporate into H.R. 4761 an amendment exempting from duty reduction all products that were reserved from tariff reductions during the MTN either because they were subject to import relief or because of their import sensitivity.

Sincerely,

Lauren R. Howard

LAUREN R. HOWARD
PAUL D. CULLEN

Counsel for North American
Philips Corporation

OF COUNSEL:

EDWARD J. GOLDSTEIN, ESQ.
EDWARD V. EGERT, ESQ.
THOMAS M. HAFNER, ESQ.
North American Philips Corporation
100 East 42nd Street
New York, New York 10017

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SINGER

OFFICE OF THE GENERAL COUNSEL

November 23, 1981

John J. Salmon, Esq.
Chief Counsel
Committee on Ways ans Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Salmon:

I am responding on behalf of The Singer Company, 8 Stamford Forum, Stamford, Connecticut, to the Subcommittee's notice of November 12, 1981 requesting written comments on Bill H.R. 4761 to extend for an additional two years the Residual Tariff Negotiating Authority under Section 124 of the Trade Act of 1974.

The Singer Company has a great interest in the extension of the President's Residual Tariff Negotiating Authority under Section 124 and, therefore, would enthusiastically support H.R. 4761. In point of fact, The Singer Company has taken an active role in asking our tariff negotiators to consider duty reductions on sewing machines and parts entering the United States under Tariff Items 672.14, 672.16, 672.20, 672.22 and 672.25. On October 21, 1980, the Company filed a brief with the Trade Policy Staff Committee of the Office of the United States Trade Representative supporting further negotiations on these tariff items, and on November 18, 1980 the Company's Sewing Products Group Vice President testified before that Committee requesting the United States Trade Representative to seek further tariff reductions. Also, on November 18, 1980 a brief was filed with the United States International Trade Commission urging the same tariff modifications.

The Singer Company was greatly encouraged by the reception its position has received with our trade representatives. It would be extremely unfortunate if this Authority expires without any real negotiating efforts having taken place with our major trading partners. In brief, therefore, the Company supports the legislation introduced by Representatives Gibbons and Frenzel with respect to continuing the President's Section 124 negotiating authority.

Very truly yours,

Stephen B. Wiznitzer

Stephen B. Wiznitzer
Corporate Counsel

THE SINGER COMPANY 8 STAMFORD FORUM, STAMFORD, CONNECTICUT 06904 203 356 4200

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TANNERS' COUNCIL OF AMERICA, INC.
2501 M Street, N.W. • Washington, D.C. 20037 • (202) 785-9400
TWX 710-822-0130 TANNERCIL WSH

November 20, 1981

The Honorable Sam M. Gibbons, Chairman
Subcommittee on Trade #14
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Bldg.
Washington, D. C. 20515

Dear Congressman Gibbons:

The Tanners' Council of America is the trade association representing practically the entire U. S. leather tanning industry. We request consideration of our statement in favor of the Administration's request for a two-year extension of tariff adjusting authority under Section 124 of the Trade Act of 1974.

Issues involving international trade in hides, leather and leather products are among the most complex and controversial of all trade issues facing the U. S. and most of its trading partners. Leather-making raw material is competitively sought after and world product markets are aggressively fought for by industries from over a hundred countries. These battles often involve the imposition of unfair and illegal protectionist policies of one form or another. As a consequence, the U. S. leather tanning industry is in a constant battle to obtain equitable treatment in world markets.

During the period of the multilateral trade negotiations and the time subsequent to it, the U. S. leather tanning industry developed a strong relationship with the Office of the U. S. Trade Representative. We always received an understanding hearing and were able to educate our negotiators on the needs of our industry. They, in turn, proved very effective negotiators in achieving a more equitable balance in world trade in this difficult sector.

During the last three years USTR, in addition to the multilateral agreements, were able to negotiate bilateral agreements concerning this sector with the governments of Argentina, Brazil, Japan and Uruguay. Central to the U. S. government's ability to negotiate at least some of these agreements was the existing authority for duty reductions. The Office of USTR used this authority with discretion and after consultation with the industry.

Our experience leads us to conclude that the Office of the U. S. Trade Representative is effective and is a most important agency for achieving fair and equitable treatment for U. S. industries in world trade. USTR is our advocate. Therefore, they should have flexibility and an arsenal of tools necessary to achieve their objectives, and the Tanners' Council is in favor of the requested two-year extension of existing 124 Authority.

Yours very truly

Eugene L. Kilik

Eugene L. Kilik
President

elk/mr

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.
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November 12, 1981

Honorable Sam Gibbons
Chairman, Trade Subcommittee
House Ways and Means Committee
233 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The [redacted] whose member trade associations and labor unions are listed below, voted unanimously at its November meeting to oppose H.R. 4761 extending Section 124 (Trade Act of 1974) tariff-cutting authority.

At current tariffs imports are surging and are capturing all of the growth in our domestic apparel market.

The substantial cuts in textile and apparel tariffs agreed in the Tokyo Round are yet to come - they are to be phased in over a six-year period beginning next January.

The form and, indeed, the existence of the MFA quota system beyond this year are matters for speculation.

This industry can not tolerate any more uncertainty.

Sincerely,

Robert E. Coleman

Robert E. Coleman
President

On Behalf of the Textile/Apparel
Import Steering Group:

Amalgamated Clothing & Textile Workers' Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet and Rug Institute
Clothing Manufacturers Association of U.S.A.
International Ladies' Garment Workers' Union
Knitted Textile Association
Man-Made Fiber Producers Association
National Association of Hosiery Manufacturers
National Association of Uniform Manufacturers
National Cotton Council
National Knitwear & Sportswear Association
National Knitwear Manufacturers Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association
United Hatters, Cap and Millinery Workers' Union, AFL-CIO
Work Glove Manufacturers Association

STATEMENT OF THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE TO THE SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES

On H.R. 4761

November 1981

This statement is submitted by the Tool and Stainless Steel Industry Committee, whose 16 member companies* account for most of the specialty steel produced in the U.S., in response to the Trade Subcommittee's Press Release #14 of November 12, 1981 asking for comments on H.R. 4761. This bill would extend for two years the President's residual tariff cutting authority under Section 124 of the Trade Act of 1974.

The specialty steel industry is opposed to the extension of this authority. It takes this position because of the threat which this authority represents to an industry which is severely and adversely impacted by imports. The import sensitivity of this industry was recognized by the International Trade Commission when it found in January 1976 that imports were seriously injurying the industry. It was recognized by President Ford when he provided for an orderly

* The members of the Tool and Stainless Steel Industry Committee are Allegheny Ludlum Steel Corporation; Al Tech Specialty Steel Corporation; Armco Stainless Steel Division; Braeburn Alloy Steel Division of Continental Copper & Steel Industries, Inc; Carpenter Technology Corporation; Columbia Tool Steel Company; Colt Industries, Inc.; Cyclops Corporation; Eastern Stainless Steel Company; Guterl Special Steel Corporation; Jessop Steel Company; Jones & Laughlin Steel Corporation; Joslyn Stainless Steel; Latrobe Steel Company; Republic Steel Corporation; and Washington Steel Corporation.

marketing agreement with Japan and import quotas on imports of specialty steel from all other countries. It was recognized by President Carter when he refused to remove these restrictions on imports after a review by the International Trade Commission in 1977 and later when he extended the import relief for an eight-month period in 1979. He then established a "surge mechanism" to permit the government to move promptly to enforce the trade laws of the U.S. if specialty steel imports surged.

For a period after the termination of the import relief in February 1980, the industry enjoyed a respite from injurious imports, although for some specialty steel products imports continued at high levels of penetration of the U.S. market. Unfortunately the "surge mechanism" has not prevented imports from growing. In the third quarter of 1981, import penetration of alloy tool steel was 39.5 percent of domestic consumption, stainless steel rod 47 percent, stainless bar 26.6 percent, stainless sheet and strip 11.2 percent, stainless plate 7.5 percent, and stainless pipe and tube 65 percent. All of these levels represent substantially higher import penetration than when import relief was terminated and the "surge mechanism" was established. For some products, import penetration is now at an all-time high. Coupled with declining domestic demand, this flood of foreign product has reduced the industry's shipments and resulted in a loss of profits,

growing unemployment with more than 20 percent of the industry's workforce now out of work, and the closing of Bethlehem Steel's tool steel facilities.

The sad fact is that the surge mechanism has not stemmed the flow of foreign specialty steel, much of which is exported to the U.S. by companies which are government owned or government subsidized, and by companies whose products are being sold here at dumped prices. Yet our foreign competitors have shown no propensity to open their borders to imports from the U.S. or elsewhere.

It is against this background that we view with alarm the possibility of cuts in the tariffs on specialty steel. We note that the U.S. has invited the European Community and Japan, our two major foreign competitors, to enter into negotiations pursuant to the Section 124 authority. The procedures that must be followed before duties can be cut give us no sense of security that specialty steel products will not be the subject of tariff cuts to the detriment of the domestic industry.

During the Multilateral Trade Negotiations, specialty steel was exempted from tariff cuts because of the existence of "escape clause" import relief on these products. Yet, as pointed out above, the condition of the industry has not improved, indeed it has deteriorated as result of import surges, since the termination of import relief. We would recommend, therefore, that Congress retain for itself the authority to approve any tariff reductions that may result from future negotiations and not extend the authority of Section 124.

U.S. Council for an Open World Economy
INCORPORATED
7216 Stafford Road, Alexandria, Virginia 22307
(202) 785-3772

Statement by David J. Steinberg, president, U.S. Council for an Open World Economy, submitted to the Subcommittee on Trade of the House Ways and Means Committee, in basic support of a bill to extend for two years the residual tariff-negotiating authority.
November 24, 1981

H.R. 4761, to extend for two years the residual tariff-negotiating authority (expiring January 3, 1982) of the Trade Act of 1974, is "housekeeping" legislation required for tariff negotiations that become necessary from time to time in handling certain trade issues. Since such authority should be available to the President, the proposed legislation is desirable.

Such barest-minimum legislation, however, is a far cry from what is urgently needed to equip the United States to pursue the trade-policy initiatives that demand this country's best efforts. As this Council has stated for the seven years of its existence (and I personally have argued for many more), the nation needs a deliberate free-trade strategy aimed at (a) getting as many industrialized countries as possible to join with us in programming the removal of all trade barriers and, in tandem with this objective, negotiating a fully equitable code of fair international competition, and (b) backstopping such a foreign-trade policy with the domestic-adjustment strategy needed (among other purposes) to secure and sustain such a free-trade position. The government is not ready -- nowhere near ready -- for such an initiative (nor, incidentally, is the liberal-trade movement). Now is therefore not the time to press for the far-reaching legislation such an initiative would require.

Now is the time, and this bill could be the place, to reform certain basic principles in the Trade Act of 1974, not only to improve U.S. law and practice, but to equip the United States to negotiate reforms needed now in the code of fair international competition well within the parameters of current objectives in the levels of tariffs and nontariff barriers. The reform we especially have in mind concerns the "safeguard" or "escape clause" provisions of U.S. law and of the General Agreement on Tariffs and Trade. Failure to negotiate a new "safeguard" code is one of the most serious shortcomings (perhaps the most serious) of the last round of trade negotiations. Without in any way changing the injury criteria or other provisions of Section 201 (changes which, however desirable, would be a wrenching experience, if attainable

at all, in this Congress), it would be a major step forward and hardly likely to incite much controversy to incorporate the following reform in U.S. import-relief action and require U.S. negotiators to seek similar reform in the GATT charter: Any import relief should be made part of a coherent, balanced, redevelopment strategy (involving all pertinent areas of public policy) addressing the real problems and needs of the domestic industry qualifying for government assistance. Each industry-adjustment strategy should be reviewed annually by the President and Congress to assess the progress of the redevelopment effort and the possible need for changes in government assistance or in industry self-help. Such reform would tend to make whatever import relief is adopted more constructive and possibly accelerate termination of the particular import restrictions.

There is not now and never has been such a mandate from Congress or the GATT charter. Nor has any President undertaken such reform on his own initiative, even though nothing in U.S. law has prevented it. Nor do we find any evidence of interest in such reform in the Executive Branch, Congress or liberal-trade circles outside this Council.

Those who would reject out of hand such an addition to H.R. 4761 for fear of opening the bill to "protectionist" amendments underestimate the ability of resolute leadership in Congress and the Administration to protect the bill from such a fate.

United States Council of the International Chamber of Commerce Inc 1212 Avenue of the Americas New York NY 10036

David L. Grove
President

United States Council

EXPRESS MAIL

November 23, 1981

COMMITTEE ON
RECEIVED
NOV 25 1981
WAYS AND MEANS

Mr. John J. Salmon
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Salmon:

On behalf of the United States Council of the International Chamber of Commerce, I am writing to endorse HR 4761, Congressman Gibbon's proposal to extend for an additional two years the President's limited tariff negotiating authority under Section 124 of the Trade Act of 1974.

As an organization whose membership consists of most of the major U.S. firms engaged in foreign trade, the U.S. Council is committed to the progressive dismantling of barriers to trade, and has played an active role in the efforts to promote a nondiscriminatory trade regime.

In this regard the U.S. Council urges that HR 4761 be passed in its present form without substantive amendments. An extension of the President's tariff negotiating authority, unencumbered by specialized interests and protectionist riders, provides an important tool with which to reduce foreign impediments to U.S. exports.

Successful negotiations with the Japanese on semiconductors have been concluded under Section 124, but there remain trade disparities from the Tokyo Round which can best be resolved by an extension of the present arrangements. A simple two year extension of Section 124 will authorize continuation of negotiations currently in progress and enable the President to pursue other tariff-reducing opportunities that may arise.

We hope that HR 4761 will reach the Senate floor during this legislative session and that its passage will not be tied to other narrowly-focused issues that still require further development.

Sincerely yours,

David L. Grove

David L. Grove
President

DLG-ACH:hb

cc: Phyllis Bonanno

Telephone: (212) 354-4480 • *Telex: USCOUNCIL 14-8361 NYK*

WOOD HEATING ALLIANCE

1101 CONNECTICUT AVENUE, N.W. SUITE 700, WASHINGTON, D.C. 20036—202/857-1181

RECEIVED
NOV 13 1981
Ways and Means
Subcommittee on Trade
NOV 13 1981

November 9, 1981

Honorable ~~Sam~~ Gibbons, Chairman
~~Subcommittee~~ on Trade
~~2234~~ Rayburn House Office Building
Washington, DC 20515

Dear Mr. Gibbons:

The Wood Heating Alliance is a national trade organization representing the manufacturers, distributors, and dealers of woodstoves, fireplaces and related accessories. Some of our members import foreign made appliances into the United States and some of our members export appliances manufactured here in the U.S. Consequently, the WHA has a substantial interest in the level of import duties imposed on woodstoves by countries which are U.S. trading partners.

We have discussed with the Office of the U.S. Trade Representatives our concerns regarding the disparity between U.S. and Canadian tariffs on woodstove appliances. That office has expressed an interest in the existing disparities and has agreed to take the matter up in future negotiations under residual negotiating authority granted to the President in Section 124 of the Trade Act of 1974. We understand, however, that the Section 124 authority will expire at the end of this year.

The WHA strongly urges that the Section 124 negotiating authority be extended. The outcome of negotiations which have been initiated regarding tarrifs on woodstoves and many other products depends upon such an extension.

The U.S. woodstove industry has been very badly hurt by current economic conditions. It is estimated that 1980 and 1981 sales are down by 20% to 50% from earlier years. A number of firms have filed bankruptcy or reorganization proceedings. The relative ease with which Canadian manufacturers may export stoves to the U.S. and the tariff barrier which makes it very difficult for U.S. manufacturers to export to the lucrative Canadian stove market creates further hardships for the U.S. industry.

We trust that you will give every consideration to the concerns of our industry. If we can supply you with further information please contact our headquarters office in Washington, DC.

Very truly yours,

Michael Herschel
Chairman, Government Relations Committee

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